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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to higher 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.

HIGHLIGHTS

- The Group's revenue decreased by approximately HK\$20,390,000, from approximately HK\$31,722,000 for the six months ended 30 June 2019 to approximately HK\$11,332,000 for the six months ended 30 June 2020.
- The Group's gross profit amounted to approximately HK\$1,505,000 and HK\$11,963,000 for the six months ended 30 June 2020 and 2019 respectively. The decrease was mainly attributable to the sluggish revenue of the Group during the six months ended 30 June 2020. The decline in result was mainly due to 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's gross profit margin was approximately 13.28% and 37.71% for the six months ended 30 June 2020 and 2019 respectively.
- The loss attributable to equity shareholders of the Company increased by approximately HK\$9,665,000 from a profit attributable to equity shareholders of the Company approximately HK\$4,284,000 for the six months ended 30 June 2019 to loss attributable to equity shareholders of the Company approximately HK\$5,381,000 for the six months ended 30 June 2020. Such loss mainly due to the sluggish revenue of the Group based on the outbreak of the novel coronavirus since early 2020.
- The Directors have recommended the distribution of an interim dividend of HK\$0.005 per share for the six months ended 30 June 2020 out of the share premium account of the Company, subject to the approval of the Shareholders at the forthcoming extraordinary general meeting.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”) together with the relevant comparative figures as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		For the six months ended 30 June	
	<i>NOTES</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	11,332	31,722
Cost of services		(9,827)	(19,759)
Gross profit		1,505	11,963
Other income		159	179
Other net losses		(335)	(91)
Administrative expenses		(6,511)	(6,567)
(Loss)/profit from operations		(5,182)	5,484
Finance costs	6	(222)	(215)
(Loss)/profit before taxation	7	(5,404)	5,269
Income tax	8	23	(985)
(Loss)/profit for the period		(5,381)	4,284
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiary outside Hong Kong		117	13
Total comprehensive income for the period attributable to equity shareholders of the Company		(5,264)	4,297
(Loss)/earnings per share (Hong Kong cent)			
— Basic and diluted	10	(0.67)	0.54

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
	NOTES		
Non-current assets			
Property, plant and equipment	11	761	843
Right-of-use assets		8,230	9,705
Deferred tax assets		47	–
Deposits and prepayments	13	1,205	1,683
		<u>10,243</u>	<u>12,231</u>
Current assets			
Inventories		130	370
Trade receivables	12	531	1,186
Other receivables, deposits and prepayments	13	1,805	1,478
Tax recoverable		203	922
Cash and bank balance		50,021	54,159
		<u>52,690</u>	<u>58,115</u>
Current liabilities			
Other payables and accrued charges	14	4,543	2,976
Lease liabilities		7,925	8,834
Tax payable		290	2,098
		<u>12,758</u>	<u>13,908</u>
Net current assets		<u>39,932</u>	<u>44,207</u>
Net assets less current liabilities		<u>50,175</u>	<u>56,438</u>
Non-current liabilities			
Lease liabilities		4,198	5,157
Deferred tax liabilities		–	40
		<u>4,198</u>	<u>5,197</u>
Net assets		<u>45,977</u>	<u>51,241</u>
Capital and reserves			
Share capital	15	8,000	8,000
Reserves		37,977	43,241
Total equity attributable to equity shareholders of the Company		<u>45,977</u>	<u>51,241</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to equity shareholders of the Company					
	Share capital	Share premium	Translation reserve	Retained profits/ losses (accumulated)	Other reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	8,000	57,083	(404)	1,286	(5,664)	60,301
Profit for the period	–	–	–	4,284	–	4,284
Other comprehensive income	–	–	13	–	–	13
Total comprehensive income	–	–	13	4,284	–	4,297
At 30 June 2019 (unaudited)	8,000	57,083	(391)	5,570	(5,664)	64,598
At 1 January 2020 (audited)	8,000	57,083	(518)	(7,660)	(5,664)	51,241
Loss for the period	–	–	–	(5,381)	–	(5,381)
Other comprehensive income	–	–	117	–	–	117
Total comprehensive income	–	–	117	(5,381)	–	(5,264)
At 30 June 2020 (unaudited)	8,000	57,083	(401)	(13,041)	(5,664)	45,977

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
(Loss)/profit before taxation	(5,404)	5,269
Adjustments for:		
Depreciation of property, plant and equipment	226	1,481
Depreciation of right-of-use assets	4,843	4,943
Finance costs	222	215
Interest income	(149)	(135)
Operating cash flows before changes in working capital	(262)	11,773
Decrease/(increase) in inventories	240	(332)
Decrease/(increase) in trade receivables	655	(193)
Decrease/(increase) in other receivables, deposits and prepayments	139	(182)
Increase in trade payables	–	479
Decrease in other payables and accrued charges	(761)	(236)
Cash generated from operations	11	11,309
Hong Kong income tax (paid)/refund	(1,153)	22
Net cash (used in)/generated from operating activities	(1,142)	11,331
Investing activities		
Payment for the purchases of property, plant and equipment	(145)	(21)
Interest received	149	135
Net cash generated from investing activities	4	114
Financing activities		
Capital element of lease rental paid	(2,832)	(4,775)
Interest element of lease rental paid	(222)	(215)
Net cash used in financing activities	(3,054)	(4,990)

	For the six months ended	
	30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net (decrease)/increase in cash and cash equivalents	(4,192)	6,455
Cash and cash equivalents at beginning of the period	54,159	47,294
Effect of foreign exchange rate changes	54	(1)
Cash and cash equivalents at end of the period	50,021	53,748
Analysis of balance of cash and cash equivalents		
at end of the period		
Cash and bank balances	50,021	53,748

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares (the “**Shares**”) are listed on GEM of the Stock Exchange 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 is 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 unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements, for the six months ended 30 June 2020 and 2019 have been prepared on the historical cost basis and in accordance with the following accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the unaudited condensed consolidated financial statements include the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

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

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the independent auditor’s report in annual report of the Company dated 20 March 2020, except for the adoption of the new revised standards, amendments and interpretations issued by the HKICPA that are adopted for the first time for the current period of the financial statements.

In the application of the Group’s accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimate is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

3. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the GEM Listing Rules, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by HKICPA. This announcement is unaudited but has been reviewed and authorised by the Audit Committee.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual report dated 20 March 2020, except for the changes in accounting policies that are expected to be reflected in the 2019 annual report. Details of any changes in accounting policies are set out in note 4.

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual report. The condensed consolidated financial statements and notes thereto do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim report as comparative information does not constitute the Group’s annual financial statements for that financial year but is derived from those financial statements.

4. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these interim financial statements.

Amendments to HKFRS 3	Definition of a business
Amendment to HKFRS 16	Leases
Amendments to HKAS 1 and HKAS 8	Definition of material

None of these amendments 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.

5. REVENUE AND SEGMENT 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 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 attributable to each reportable segment on the following bases:

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

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

Segment results

	For the six months ended 30 June					
	Hong Kong	2020 Mainland China	Consolidated	Hong Kong	2019 Mainland China	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	10,671	661	11,332	29,750	1,972	31,722
Reportable segment profit/(loss)	448	409	857	11,796	(492)	11,304
Head office and corporate expenses			(6,261)			(6,035)
(Loss)/profit before tax			(5,404)			5,269
Interest income			149			135
Finance costs	(222)	-	(222)	(149)	(66)	(215)
Depreciation	(5,069)	-	(5,069)	(4,329)	(2,095)	(6,424)

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	
	For the six months ended 30 June		As at 30 June	As at 31 December
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
Hong Kong	10,671	29,750	9,091	10,648
Mainland China	661	1,972	-	-
	<u>11,332</u>	<u>31,722</u>	<u>9,091</u>	<u>10,648</u>

For the six months ended 30 June 2020 and 2019, no single customer accounted for 10% or more of the Group's total revenue.

6. FINANCIAL COST

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liability	<u>222</u>	<u>215</u>

7. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit before taxation has been arrived at after charging:		
Depreciation		
— property, plant and equipment	226	1,481
— right-of-use assets	4,843	4,943
Directors' remuneration	1,665	1,778
Other staff costs		
— Salaries, wages and other benefits	2,948	3,484
— Contributions to defined contribution retirement plan	169	175
Total staff costs	<u>4,782</u>	<u>5,437</u>
Lease payment for short-term leases not included in the measurement of lease liabilities	109	192
Variable lease payment not included in the measurement of lease liabilities/contingent rent	4,387	10,807
Cost of inventories	<u>270</u>	<u>701</u>

8. INCOME TAX

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	88	1,035
Over-provision in respect of prior years	(24)	(18)
	<u>64</u>	<u>1,017</u>
Deferred tax		
Origination and reversal of temporary differences	(87)	(32)
	<u>(23)</u>	<u>985</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the relevant periods, 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 for the relevant periods.

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 the relevant periods.

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 relevant periods.

9. DIVIDEND

On 7 August 2020, the Directors have recommended to declare an interim dividend of HK\$0.005 per Share for the six months ended 30 June 2020, totaling HK\$4,000,000 out of the share premium account of the Company, subject to the approval of the Shareholders at the forthcoming extraordinary general meeting. The proposed dividend has not been recognised as a liability in this interim financial statement but will be reflected as an appropriation of retained profits for the year ending 31 December 2020.

In August 2019, the Directors resolved to declare an interim dividend of HK\$0.005 per Share for the six months ended 30 June 2019, totaling HK\$4,000,000.

10. (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, amounted to the loss of approximately HK\$5,381,000 and the earnings of approximately HK\$4,284,000 and the weighted average number of ordinary Shares in issue of 800,000,000 and 800,000,000 for the six months ended 30 June 2020 and 2019 respectively.

(b) Diluted (loss)/earnings per Share

There were no diluted potential Shares in existence during the relevant periods.

11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2020, the Group acquired property plant and equipment at a cost of approximately HK\$145,000 (for the six months ended 30 June 2019: approximately HK\$21,000). None of the property, plant and equipment were disposed of for the six months ended 30 June 2020 and 2019 respectively.

12. TRADE RECEIVABLES

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.

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
0–20 days	<u>531</u>	<u>1,186</u>

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Rental and utilities deposits	2,504	2,496
Prepayments	505	600
Other receivables	<u>1</u>	<u>65</u>
	<u>3,010</u>	<u>3,161</u>
Representing:		
Presented as non-current assets	1,205	1,683
Presented as current assets	<u>1,805</u>	<u>1,478</u>

14. OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Accrued expenses	1,073	1,333
Salaries payables and provision for bonus	500	962
Other lease and licence fee payables	2,752	592
Other payables	211	67
Other tax payables	7	22
	<u>4,543</u>	<u>2,976</u>

15. SHARE CAPITAL

The share capital of the Group at 30 June 2020 and 31 December 2019 represents the share capital of the Company as follows:

	Number of Shares	<i>HK\$'000</i>
Authorised — Ordinary share of HK\$0.01 each: As at 1 January 2019 (Audited), 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	<u>5,000,000,000</u>	<u>50,000</u>
Ordinary shares, issued and fully paid: As at 1 January 2019 (Audited), 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	<u>800,000,000</u>	<u>8,000</u>

All issued Shares rank pari passu in all respects.

16. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2020 and 31 December 2019 not provided for in the consolidated financial statement were as follows:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Contracted for	<u>603</u>	<u>603</u>

17. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during both periods:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Various subsidiaries of Photo-Me International Plc. ("Photo-Me")		
Purchase of consumables	–	953
Purchase of spare parts	–	41
	<u>–</u>	<u>994</u>
(b) Rental expenses paid to Big Star Properties Limited and a company owned by Mr. Cheung Kam Ting	470	302
	<u>470</u>	<u>302</u>
(c) Salaries and other benefits paid to Ms. Au-Yeung Ying Ho	63	76
	<u>63</u>	<u>76</u>

The remuneration of Directors and other members of key management for the six months ended 30 June 2020 and 2019 were as follows:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	2,694	2,756
Post-employment benefits	47	75
	<u>2,741</u>	<u>2,831</u>

18. EVENTS AFTER REPORTING PERIOD

The outbreak of the novel coronavirus was continuing since early 2020 which 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 and seeking for more favorable terms with vendors. 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are principally engaged in provision of photography services through automatic ID photo booths at different locations in Hong Kong and Guangdong Province, Mainland China.

The Group attributed such deterioration in financial performance primarily to the sluggish revenue of the Group during the six months ended 30 June 2020. The decline in result was mainly due to 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 shortening of business hours and abrupt closure of business for our licensed sites has happened during the six months ended 30 June 2020. We consider that the decrease in the demand of ID photos during the six months ended 30 June 2020 is temporary and the demand of ID photos will rise after the situation of novel coronavirus is improved.

In response to the difficult business 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 and seeking for more favorable terms with vendors. Moreover, the Group has applied the subsidies from the Government of the Hong Kong Special Administrative Region. 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.

For the long-term development, 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.

In order to response the expectation from our customers, we engaged a vendor for upgrading our IT infrastructure including but not limited to the telemetry system and e-payment facilities. We also consider to invest further resources in the IT infrastructure for the growing and diversifiable development of the Group.

Due to the outbreak of the novel coronavirus, 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, 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 six months ended 30 June 2020 and up to the date of this announcement.

We are committed to strengthen 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 decreased by approximately HK\$20,390,000, from approximately HK\$31,722,000 for the six months ended 30 June 2019 to approximately HK\$11,332,000 for the six months ended 30 June 2020. For the six months ended 30 June 2020, the decrease in revenue was mainly due to the decrease in the demand of ID photo during the outbreak period of the novel coronavirus.

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 81.18% and 80.68% of our total cost of services, for the six months ended 30 June 2020 and 2019 respectively.

Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK\$1,505,000 and HK\$11,963,000 for the six months ended 30 June 2020 and 2019 respectively, representing gross profit margin of approximately 13.28% and 37.71% respectively, the decrease was mainly due to the sluggish revenue during the outbreak period of the novel coronavirus for the six months ended 30 June 2020.

Other income

Other income mainly represented sales of photo strips and interest income for the six months ended 30 June 2020 and 2019 respectively.

Other net losses

Other net losses mainly represented net exchange losses of approximately HK\$335,000 and HK\$91,000 for the six months ended 30 June 2020 and 2019 respectively.

Administrative expenses

The Group's administrative expenses amounted to approximately HK\$6,511,000 and HK\$6,567,000 for the six months ended 30 June 2020 and 2019 respectively, maintained at a stable level.

Finance costs

Finance costs represented interest on lease liabilities of approximately HK\$222,000 and HK\$215,000 for the six months ended 30 June 2020 and 2019 respectively.

Income tax

Income tax credit amounted to approximately HK\$23,000 for the six months ended 30 June 2020 and income tax expenses amounted to approximately HK\$985,000 for the six months ended 30 June 2019.

(Loss)/profit attributable to equity shareholders of the Company

The Group recorded loss attributable to the equity shareholders of the Company of approximately HK\$5,381,000 for the six months ended 30 June 2020 and profit attributable to the equity shareholders of the Company of approximately HK\$4,284,000 for the six months ended 30 June 2019. The decline in result was mainly due to 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.

Segment Reporting

An analysis of the Group's segment performance for the six months ended 30 June 2020 and 2019 is set out in note 5 to the unaudited condensed consolidated financial statements of this announcement.

Share Capital

As at the date of the listing on GEM of the Stock Exchange on 28 February 2018 (the "**Listing Date**"), the authorised share capital of the Company was HK\$50,000,000 divided into 5,000,000,000 Shares of par value HK\$0.01 each and the issued share capital of the Company was HK\$8,000,000 divided into 800,000,000 Shares of par value HK\$0.01 each. The share capital of the Company only comprises of ordinary Shares. There has been no change in the share capital of the Company since then.

Employees and Emolument Policy

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices. As at 30 June 2020, the Group has 58 employees (as at 30 June 2019: 66 employees).

Liquidity and capital resources

Our use of cash primarily related to operating activities and capital expenditure. We finance our operations through cash flow generated from our operations. As at 30 June 2020, 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.

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 investment

As at 30 June 2020 and 2019, the Group did not make any significant investments.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

As at 30 June 2020 and 2019, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

As at 30 June 2020 and 2019, the Group had no pledge of assets.

Contingent Liabilities

As at 30 June 2020 and 2019, the Group did not have any significant contingent liabilities.

Subsequent Events

The information is set out in note 18 to the unaudited condensed consolidated financial statements of this announcement.

Dividends

The information is set out in note 9 to the unaudited condensed consolidated financial statements of this announcement.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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 six months ended 30 June 2020, the Company has complied with all applicable code provisions of the CG Code.

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. Having made specific enquiries of all the Directors, each of the Director has confirmed that he has complied with the required standard of dealings during the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

INTERIM DIVIDEND

The Directors have recommended the distribution of an interim dividend of HK\$0.005 per Share for the six months ended 30 June 2020, representing an aggregate amount of HK\$4,000,000 out of the share premium account of the Company to the Shareholders whose names appear on the register of members of the Company on 7 September 2020, which is subject to the approval of the Shareholders in an extraordinary general meeting to be held on 31 August 2020 (the “**EGM**”). The interim dividend will be payable on or about 18 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 August 2020 to 31 August 2020 (both days inclusive), during which period no transfers of Shares will be effected. In order to qualify for attending the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on 25 August 2020.

The register of members of the Company will be closed from 4 September 2020 to 7 September 2020 (both days inclusive), during which period no transfers of Shares will be effected. In order to qualify for receiving the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3 September 2020.

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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

1. Interests/short positions in the Shares of the Company

Name of Directors/ chief executive	Capacity/ nature of interest	Number of Shares	Long/ short position	Approximate percentage of total number of issued Shares
Mr. Chan Wing Chai, Jamson	Interest in a controlled corporation ⁽¹⁾	427,600,560	Long	53.45%
Mr. Chan Tien Kay, Timmy	Interest in a controlled corporation ⁽¹⁾	427,600,560	Long	53.45%
Mr. Cheung Kam Ting	Beneficial owner	62,426,940	Long	7.80%

Note:

- (1) The disclosed interest represents the interest in the Company held by Causeway Treasure which is in turn approximately 47.25% owned by Mr. Chan Wing Chai, Jamson, approximately 47.25% owned by Mr. Chan Tien Kay, Timmy and approximately 5.5% owned by Ms. Au-Yeung Ying Ho. By virtue of the SFO, Mr. Chan Wing Chai, Jamson and Mr. Chan Tien Kay, Timmy are deemed to be interested in the Shares held by Causeway Treasure.

2. Interests/Short Positions in the Shares or Debentures of the Associated Corporations of the Company

Name of Directors	Name of associated corporation	Capacity/ nature of interest	Approximate shareholding percentage in the relevant Shares in the associated corporation
Mr. Chan Wing Chai, Jamson	Causeway Treasure	Beneficial owner ⁽¹⁾	47.25%
Mr. Chan Tien Kay, Timmy	Causeway Treasure	Beneficial owner ⁽¹⁾	47.25%

Note:

- (1) The disclosed interest represents the interest in Causeway Treasure, the associated corporation which is approximately 47.25% owned by Mr. Chan Wing Chai, Jamson and approximately 47.25% owned by Mr. Chan Tien Kay, Timmy, with the remaining interest held as to approximately 5.5% by Ms. Au-Yeung Ying Ho.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ nature of interest	Number of Shares	Long/ short position	Approximate percentage of shareholding in the Company
Causeway Treasure	Beneficial owner ⁽¹⁾	427,600,560	Long	53.45%
Ms. Au-Yeung Ying Ho	Interest in a controlled corporation ⁽²⁾	427,600,560	Long	53.45%
Photo-Me	Beneficial owner	109,972,500	Long	13.75%

Notes:

- (1) The disclosed interest represents the interest in the Company held by Causeway Treasure which is in turn approximately 47.25% owned by Mr. Chan Wing Chai, Jamson, approximately 47.25% owned by Mr. Chan Tien Kay, Timmy and approximately 5.5% owned by Ms. Au-Yeung Ying Ho.
- (2) On 7 July 2017, Mr. Chan Wing Chai, Jamson, Ms. Au-Yeung Ying Ho and Mr. Chan Tien Kay, Timmy executed the deed of confirmation, whereby they have confirmed their acting in concert arrangements in the past, as well as their intention to continue to act in the above manner (as long as he/she remains as a Shareholder) upon listing to consolidate their control over the Group until and unless the deed of confirmation is terminated in writing. By virtue of the SFO, Ms. Au-Yeung Ying Ho is deemed to be interested in the Shares held by Causeway Treasure.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The share option scheme of the Company (the “**Share Option Scheme**”) was adopted pursuant to a written resolution by the Shareholders on 8 February 2018. No share option was granted, lapsed, exercised or cancelled by the Company under the Share Option Scheme during the six months ended 30 June 2020 and there was no outstanding share option as at the date of this announcement.

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

During the six months ended 30 June 2020, 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 six months ended 30 June 2020, the Board was comprised of eight Directors (one executive Director resigned on 20 March 2020) including three independent non-executive Directors and all of them are 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 six months ended 30 June 2020, 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 and 14 July 2020, Max Sight Limited received the confirmation letters issued by the Lender for renewal of the Facility Agreement which will expire until 30 June 2020 and 30 June 2021, respectively. The term loan facility shall be repayable in full in 13 months from the date of drawdown. As at 30 June 2020, 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.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The Company has established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The Audit Committee reviews, amongst others, the financial information of the Group; the relationship with and terms of appointment of the external auditor of the Company; and the Company's financial reporting system, risk management and internal control systems. The Audit Committee comprises three members, namely Mr. Ngai James (chairman), Mr. Hui Chi Kwan and Mr. Kwok Tsun Wa, all of them are independent non-executive Directors. The unaudited condensed consolidated results and the interim report of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited consolidated results of the Group for the six months ended 30 June 2020 comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and adequate disclosure have been made.

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 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 30 June 2020, 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 30 June 2020 (HK\$'000)	Unutilised net proceeds up to 30 June 2020 (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
	<u>31,852</u>	<u>7,126</u>	<u>24,726</u>	

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 six months ended 30 June 2020, 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 and continuous changes in the government policy, our business developments in Guangdong Province and Hong Kong were delayed during the six months ended 30 June 2020 and up to the date of this announcement.

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

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, 7 August 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.