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This announcement, for which the directors (the “Directors”) of Max Sight Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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ANNUAL RESULTS HIGHLIGHTS

- The Group's revenue increased by approximately HK\$10,300,000, from approximately HK\$20,953,000 for the year ended 31 December 2021 to approximately HK\$31,253,000 for the year ended 31 December 2022. For the year ended 31 December 2022, revenue in photography services amounted to approximately HK\$23,362,000 (for the year ended 31 December 2021: HK\$20,311,000), which represent an increase of approximately 15.02%. The increase was mainly due to the relaxation of certain social distancing measures and immigration control policies at the end of 2022. For the year ended 31 December 2022, revenue in medical services business amounted to approximately HK\$7,891,000 (for the year ended 31 December 2021: HK\$642,000), the Group commenced Medical Services Business by operating medical centres in Hong Kong starting from October 2021. Such increase was due to the full-year operation of our medical centres operated during the year ended 31 December 2022.
- The Group's gross profit amounted to approximately HK\$5,078,000 and HK\$5,184,000 for the years ended 31 December 2022 and 2021 respectively, representing gross profit margin of approximately 16.25% and 24.74% respectively, the decrease was mainly due to the increase in cost of services for the year ended 31 December 2022.
- The loss attributable to equity shareholders of the Company increased by approximately HK\$4,110,000, from approximately HK\$7,408,000 for the year ended 31 December 2021 to approximately HK\$11,518,000 for the year ended 31 December 2022. The loss attributable to equity shareholders of the Company increased mainly due to (i) the increase in cost of service; (ii) the increase in administrative expenses; and (iii) impairment loss of right-of-use assets of the Group in Mainland China of approximately HK\$2,050,000 during the year ended 31 December 2022.
- The Directors do not recommend to declare a final dividend for the year ended 31 December 2022.

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 2022 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Hong Kong dollars)

	Note	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	2	31,253	20,953
Cost of services		<u>(26,175)</u>	<u>(15,769)</u>
Gross profit		5,078	5,184
Other income	3(a)	2,073	1,436
Other net (losses)/gain	3(b)	(554)	317
Administrative expenses		(16,596)	(14,043)
Impairment of right-of-use assets	7	(2,050)	–
Loss from operations		(12,049)	(7,106)
Finance costs	4(a)	(454)	(423)
Loss before taxation	4	(12,503)	(7,529)
Income tax	5(a)	120	(126)
Loss for the year		(12,383)	(7,655)
Attributable to:			
Equity shareholders of the company		(11,518)	(7,408)
Non-controlling interest		(865)	(247)
Loss for the year		<u>(12,383)</u>	<u>(7,655)</u>
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiary outside Hong Kong		550	(207)
Total comprehensive income for the year		<u>(11,833)</u>	<u>(7,862)</u>
Attributable to:			
Equity shareholders of the company		(10,968)	(7,615)
Non-controlling interest		(865)	(247)
Total comprehensive income for the year		<u>(11,833)</u>	<u>(7,862)</u>
Loss per share (Hong Kong cents)			
— Basic and diluted	6	<u>(1.44)</u>	<u>(0.93)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(Expressed in Hong Kong dollars)

	Note	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		4,110	2,891
Right-of-use assets		14,884	19,904
Deposits and prepayments	8	1,548	3,701
		<u>20,542</u>	<u>26,496</u>
Current assets			
Inventories		690	148
Trade receivables	8	1,650	810
Other receivables, deposits and prepayments	8	2,116	1,497
Tax recoverable		95	95
Restricted bank deposit		5,000	–
Cash and bank balances		16,699	30,741
		<u>26,250</u>	<u>33,291</u>
Current liabilities			
Trade payables	9	299	263
Other payables and accrued charges	10	2,648	2,488
Amounts due to non-controlling shareholders		2,195	485
Bank loan - secured		1,000	–
Lease liabilities		7,507	7,153
		<u>13,649</u>	<u>10,389</u>
Net current assets		<u>12,601</u>	<u>22,902</u>
Total assets less current liabilities		<u>33,143</u>	<u>49,398</u>
Non-current liabilities			
Lease liabilities		9,929	14,236
Deferred tax liabilities		115	235
Provision for reinstatement		385	385
		<u>10,429</u>	<u>14,856</u>
NET ASSETS		<u>22,714</u>	<u>34,542</u>
CAPITAL AND RESERVES			
Share capital		8,000	8,000
Reserves		15,816	26,784
Total equity attributable to equity shareholders of the company		<u>23,816</u>	<u>34,784</u>
Non-controlling interests		<u>(1,102)</u>	<u>(242)</u>
TOTAL EQUITY		<u>22,714</u>	<u>34,542</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Max Sight Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (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 Company and its subsidiaries (collectively referred as the “**Group**”) are principally engaged in (i) provision of photography services through automatic identity documentation (“**ID**”) photo booths at different locations in Hong Kong and Guangdong Province, Mainland China; and (ii) provision of medical services starting from October 2021 by operating medical centres in Hong Kong.

The annual results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2022 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 the GEM of the Stock Exchange.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are (i) provision of photography service through automatic ID photo booths at different locations in Hong Kong and Guangdong Province, Mainland China and (ii) provision of medical services starting from October 2021 by operating medical centres in Hong Kong. Revenue represents the fair value of amounts received and receivable from provision of photography service and medical service by the Group to external customers, net of sales returns.

Disaggregation of revenue from contracts with customers by major service lines is as follow:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
 within the scope of HKFRS15		
Disaggregation by major service lines		
— Photography service income	23,362	20,311
— Medical service income	7,891	642
	<u>31,253</u>	<u>20,953</u>

(b) Segment reporting

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

- Photography services in Hong Kong
- Photography services in Mainland China
- Medical services in Hong Kong

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 bases:

Reportable segment profit/(loss) represents profit/(loss) 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

	2022				2021			
	Photography services		Medical services		Photography services		Medical services	
	Mainland				Mainland			
	Hong Kong <i>HK\$'000</i>	China <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	China <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	22,422	940	7,891	31,253	18,974	1,337	642	20,953
Reportable segment profit/(loss)	7,162	(1,028)	(6,932)	(798)	4,962	562	(2,515)	3,009
Head office and corporate expenses				(11,705)				(10,538)
Loss before tax				(12,503)				(7,529)
Interest income				39				2
Finance costs	(178)	(93)	(183)	(454)	(265)	(134)	(24)	(423)
Depreciation	(5,084)	(398)	(3,946)	(9,428)	(5,492)	(69)	(602)	(6,163)
Impairment of property, plant and equipment and right-of-use assets	-	(2,050)	-	(2,050)	-	-	-	-

Segment assets

	2022				2021			
	Photography services		Medical services		Photography services		Medical services	
	Mainland				Mainland			
	Hong Kong <i>HK\$'000</i>	China <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	China <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Reportable segment assets	9,860	400	14,347	24,607	11,163	749	16,626	28,538
Restricted bank deposit				5,000				-
Cash and bank balances				16,699				30,741
Head office and corporate assets				486				508
Consolidated total assets				46,792				59,787

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 specified non-current assets is based on the physical location of the assets.

	Revenue from external customers		Specified non-current assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong (place of domicile)	30,313	19,616	18,994	24,024
Mainland China	940	1,337	–	66
	<u>31,253</u>	<u>20,953</u>	<u>18,994</u>	<u>24,090</u>

For the years ended 31 December 2022 and 2021, no single customer accounted for 10% or more of the Group's total revenue.

For the year ended 31 December 2022, the Group's five (2021: five) largest suppliers accounted for 75% (2021: 73%) of the Group's total purchases. For the year ended 31 December 2022, the single largest supplier accounted for approximately 33% (2021: 17.2%) of the Group's total purchases.

3 OTHER INCOME AND OTHER LOSSES

(a) Other income

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income	39	2
Sales of photo strips	34	23
COVID-19 related rent concessions received	753	1,408
Government grants	3	–
Gain on lease modification	1,204	–
Sundry income	40	3
	<u>2,073</u>	<u>1,436</u>

(b) Other net (loss)/gains

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal property, plant and equipment	(72)	–
Net exchange (loss)/gain	(482)	317
	<u>(554)</u>	<u>317</u>

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	447	423
Interest on bank loan	7	–
	<u>454</u>	<u>423</u>

(b) Staff costs

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and other benefits ^{#*}	12,078	9,542
Contributions to defined contribution retirement plan	547	434
	<u>12,625</u>	<u>9,976</u>

The Group participates in a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

Employees of a subsidiary in the People’s Republic of China (the “**PRC**”) are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. This subsidiary contributes funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

(c) Other items

	2022	2021
	<i>HK\$’000</i>	<i>HK\$’000</i>
Auditors’ remuneration	1,440	1,400
Depreciation	9,428	6,163
— property, plant and equipment [#]	1,704	525
— right-of-use assets [#]	7,724	5,638
Impairment of right-of-use assets	2,050	–
Lease payments for short-term leases not included in the measurement of lease liabilities [#]	368	280
Variable lease payments not included in the measurement of lease liabilities [#]	7,733	6,553
Cost of inventories	1,537	561

[#] Cost of services includes HK\$17,317,000 (2021: HK\$13,517,000) 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 4(b) for each of these types of expenses.

^{*} In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund amounted to HK\$1,056,000 as promulgated by the Government of the Hong Kong Special Administrative Region of People’s Republic of China. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5 INCOME TAX

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

	2022	2021
	<i>HK\$’000</i>	<i>HK\$’000</i>
Deferred tax		
Origination and reversal of temporary differences	(120)	126

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the group companies sustained a loss for tax purposes during the years ended 31 December 2022 and 2021.

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. No provision for Mainland China income tax has been made in the consolidated financial statements as the Group’s subsidiary sustained a loss for tax purposes during the years ended 31 December 2022 and 2021.

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 ended 31 December 2022 and 2021.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2022	2021
	HK\$’000	HK\$’000
Loss before taxation	<u>(12,503)</u>	<u>(7,529)</u>
Notional tax on profit before taxation calculated at applicable tax rates	(2,213)	(1,256)
Tax effect of non-deductible expenses	219	159
Tax effect of non-taxable income	(147)	(56)
Tax effect of tax losses not recognised	2,346	2,125
Tax effect of temporary difference not recognized	(325)	(860)
Others	<u>–</u>	<u>14</u>
Actual tax (credit)/expense	<u>(120)</u>	<u>126</u>

6 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$11,518,000 (2021: HK\$7,408,000) and the weighted average number of ordinary shares in issue during the year of 800,000,000 (2021: 800,000,000).

(b) Diluted loss per share

There were no diluted potential shares in existence during the years ended 31 December 2022 and 2021.

7. IMPAIRMENT LOSS

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 2022, in view of the loss sustained by the Mainland China photography service segment, management considered indicators of impairment of right-of-use assets associated with this segment existed at 31 December 2022 and performed an impairment assessment thereon. Based on the impairment assessment conducted by management, impairment losses of HK\$2,050,000 were recognised on right-of-use assets in profit or loss during the year ended 31 December 2022 in order to write down the carrying amount of right-of-use assets of this segment to its recoverable amount of HK\$Nil.

The recoverable amount is determined based on the higher of value-in-use and 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 18% for this segment.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>1,650</u>	<u>810</u>
<i>Other receivables, deposits, and prepayments</i>		
Non-current assets		
Rental and utilities deposits	1,548	2,406
Prepayments for property, plant and equipment	<u>–</u>	<u>1,295</u>
	<u>1,548</u>	<u>3,701</u>
Current assets		
Rental and utilities deposits	1,612	1,074
Prepayments and other receivables	<u>504</u>	<u>423</u>
	<u>2,116</u>	<u>1,497</u>
Total	<u>3,664</u>	<u>5,198</u>

The Group's trading terms with its customers are mainly on cash and smart card settlement, except for payment arising from use of medical cards and healthcare vouchers by patients which the medical network agent and the Government of the Hong Kong Special Administrative Region of People's Republic of China ("the Government") generally settled within 60 days.

The Group also 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 aging analysis of the trade receivables presented based on the monthly statement issued to the lessor and invoice issued to the customers and medical network agent in respect of provision of medical services, is as follow:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	1,474	651
31 - 60 days	121	159
Over 60 days	55	–
	<u>1,650</u>	<u>810</u>

As at 31 December 2022 and 2021, the Group measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The Group only has few debtors that have good repayment history with the Group. The Group does not hold any collateral over these balances. Due to the financial strength of these debtors and the short duration of the trade receivables, the loss allowance for expected credit losses is considered insignificant.

9 TRADE PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follow:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	<u>299</u>	<u>263</u>

10 OTHER PAYABLES AND ACCRUED CHARGES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued expenses	1,644	1,557
Salaries payables and provision for bonus	704	621
Other lease and licence fee payables	216	65
Other payables	84	245
	<u>2,648</u>	<u>2,488</u>

11 DIVIDENDS

The board of directors has resolved not to declare any final dividend for the year ended 31 December 2022 (2021: Nil).

12 COMMITMENTS

Commitments outstanding at 31 December 2022 not provided for in the consolidated financial statements were as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for	<u>-</u>	<u>631</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are principally engaged in (i) provision of photography services through automatic ID photo booths at different locations in Hong Kong and Guangdong Province, the People's Republic of China (the "Mainland China"); and (ii) provision of medical services by operating medical centres in Hong Kong.

Photography services business

The sluggish revenue in photography services was mainly due to the fifth wave of the COVID-19 pandemic and the immigration control during the year ended 31 December 2022 that have brought the significant decrease in the travel demand, and led to a low demand of ID photos for the year ended 31 December 2022. Also, our licensed sites have been temporarily closed or reduced the business hours frequently due to the COVID-19 pandemic in Hong Kong and Guangdong Province during the year ended 31 December 2022. With the introduction of vaccines and the increasing vaccination rate in Hong Kong, with the lifting of compulsory quarantine requirements for immigration control and relaxation of certain social distancing measures at the end of 2022, we consider that the demand of ID photos in Hong Kong will improve in the foreseeable future.

The Board is aware of the significance of our existing photography services segment in Hong Kong from which most of our Group's revenue derived. We believe that the introduction of JoyYou card (樂悠卡) which facilitates the Government Public Transport Fare Concession Scheme and the relaxation of the eligibility age requirement for JoyYou card (樂悠卡) from 65 to 60 in early 2022 present us an excellent opportunity for the Group to secure and improve its market position in the automatic ID photo booths sector in Hong Kong and further enhance our financial performance.

In this regard, we reallocated certain resources to the business development of automatic ID photo booths business in Hong Kong to (i) upgrading and maintaining our automatic ID photo booth machines such as the printing system, the computer boards and the overall booth decoration; and (ii) advertisement and promotion through media and promotional events.

However, in light of the outbreak of the COVID-19 pandemic in the Mainland China and change of market conditions which are beyond our control, we expect that the future business opportunities and demand for ID photo in Guangdong Province will be sluggish. These factors have rendered the expansion plan of the Group to further penetrate into the automatic ID photo booth market in Guangdong Province increasingly challenging. In light of the above, we consider that a more cautious approach in relation to the execution of the Group's expansion plan in the Mainland China should be adopted.

As the development and spread of COVID-19 pandemic is uncertain since early 2020, further changes in economic conditions for the Group arising thereof may have further impact on the financial results of the Group. The Group will keep continuous attention on the situation of the COVID-19 pandemic and react proactively to mitigate its impact on the financial position and operating results of the Group. The Group will continually reassess the profitability on each photo booth locations and relocate the photo booths accordingly. During the year ended 31 December 2022, the Group has early terminated a lease agreement in relation to the photo booth licensed sites which incurred sluggish performance, the Group consider the terminating the lease agreement is a prudent move for the Group to control its costs.

We have taken time to reassess the existing projects in relation to the automatic ID photo booths business and their implementation timetable. Mainly due to the outbreak of the COVID-19 pandemic, the meetings and the on-going schedules with our business partners and vendors are also postponed during the year ended 31 December 2022.

In order to continue our business development, we are researching different potential projects with regards to our photography services business. Upgrading our business model by allocating further funds and resources in the IT infrastructure to achieve diversifiable development of our core business could be a new direction for the Group in the future.

Medical services business

The Group has been spending great effort to explore business opportunities and diversify the Group's business with an aim to mitigate the impact of the COVID-19 pandemic to the Group. In October 2021, the Group commenced medical services business by operating medical centres in Hong Kong (the "**Medical Services Business**"). The Group is actively seeking opportunities to recruit and identify suitable medical practitioners, equipment, premises and related businesses to further expand its Medical Services Business.

In light of the COVID-19 pandemic, the Group has launched outreach vaccination services to provide the general public with flexible and convenient vaccination channels. During the year ended 31 December 2022, the Group provided a number of the outreach on-site vaccination events to the general public in Hong Kong. We trust that the general increase in health awareness since COVID-19 will boost the demand for medical and related healthcare services in Hong Kong. We believe that the further development of our Medical Services Business is essential to our core strategy of diversifying our Group's business.

In this regard, we reallocated certain resources to develop the Medical Services Business to (i) purchase equipment for the development of medical and related services and upgrade our computer equipment and software in order to enhance the quality and reliability of our medical services; and (ii) establish or acquire new clinics, medical and related business. It is envisaged that there will be new business opportunities in medical and related healthcare sector in complement to our existing Medical Service Business and the Group are committed to continuously strengthen and enrich the portfolio of its Medical Service Business.

We are committed to strengthen our existing core business and shall continue to capture market opportunities. We will continue to conduct research and explore new business opportunities for future development and further expansion in order to develop a diversified business and broaden its revenue base, so as to achieve sustainable business growth and to create values and enhance long-term benefits for the Shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$10,300,000, from approximately HK\$20,953,000 for the year ended 31 December 2021 to approximately HK\$31,253,000 for the year ended 31 December 2022. For the year ended 31 December 2022, revenue in photography services amounted to approximately HK\$23,362,000 (for the year ended 31 December 2021: HK\$20,311,000), which represent an increase of approximately 15.02%. The increase was mainly due to the relaxation of certain social distancing measures and immigration control policies at the end of 2022. For the year ended 31 December 2022, revenue in medical services business amounted to approximately HK\$7,891,000 (for the year ended 31 December 2021: HK\$642,000), the Group commenced Medical Services Business by operating medical centres in Hong Kong starting from October 2021. Such increase was due to the full-year operation of our medical centres operated during the year ended 31 December 2022.

Cost of services

The Group's cost of services increased by approximately HK\$10,406,000, from approximately HK\$15,769,000 for the year ended 31 December 2021 to approximately HK\$26,175,000 for the year ended 31 December 2022. The increase was mainly due to the increasing in (i) licence fees and rental paid; (ii) staff costs in relation the frontline staff; (iii) medical practitioners' fee; (iv) pharmaceutical supplies; and (v) depreciations. Such increases were in line with the commencement of our Medical Service Business in Hong Kong starting from October 2021.

Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK\$5,078,000 and HK\$5,184,000 for the years ended 31 December 2022 and 2021 respectively, representing gross profit margin of approximately 16.25% and 24.74% respectively, the decrease was mainly due to the increase in cost of services as explained above for the year ended 31 December 2022.

Other income

Other income increased by approximately HK\$637,000 from approximately HK\$1,436,000 for the year ended 31 December 2021 to approximately HK\$2,073,000 for the year ended 31 December 2022. Such increase was mainly due to increase in gain on lease modification. Detailed information is set out in the note 3(a) of this announcement.

Other net (losses)/gain

Other net gains and losses amounted to net losses of approximately HK\$554,000 and net exchange gains of approximately HK\$317,000 for the years ended 31 December 2022 and 2021 respectively.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$2,553,000, from approximately HK\$14,043,000 for the year ended 31 December 2021 to approximately HK\$16,596,000 for the year ended 31 December 2022. The increase was mainly attributable to the increase in staff cost and director remunerations which is in line with Medical Services Business commenced in Hong Kong starting from October 2021.

Finance costs

Finance costs represented interest on lease liabilities and bank loan of approximately HK\$454,000 and HK\$423,000 for the years ended 31 December 2022 and 2021 respectively.

Income tax

Income tax credit amounted to approximately HK\$120,000 and income tax expenses amounted to approximately HK\$126,000 for the years ended 31 December 2022 and 2021 respectively.

Impairment loss

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 2022, in view of the loss sustained by the Mainland China photography service segment, management considered indicators of impairment of right-of-use assets associated with this segment existed at 31 December 2022 and performed an impairment assessment thereon. Based on the impairment assessment conducted by management, impairment losses of HK\$2,050,000 were recognised on right-of-use assets in profit or loss during the year ended 31 December 2022 in order to write down the carrying amount of right-of-use assets of this segment to its recoverable amount of HK\$Nil.

The recoverable amount is determined based on the higher of value-in-use and 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 18% for this segment.

Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company increased by approximately HK\$4,110,000, from approximately HK\$7,408,000 for the year ended 31 December 2021 to approximately HK\$11,518,000 for the year ended 31 December 2022. The loss attributable to equity shareholders of the Company increased mainly due to (i) the increase in cost of service as explained above; (ii) the increase in administrative expenses of approximately HK\$2,553,000 mainly due to the increase in staff cost and director remunerations which is in line with the medical services business commenced in Hong Kong starting from October 2021; and (iii) impairment loss of right-of-use assets amounting to approximately HK\$2,050,000 was recognised in profit or loss for the year ended 31 December 2022.

Segment information

An analysis of the Group's performance for the years ended 31 December 2022 and 2021 by segment is set out in the note 2(b) of this announcement.

Employees and Remuneration Policies

As at 31 December 2022, the Group had a total of 64 workers (2021: 55 workers) situated in Hong Kong and Guangdong Province. The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution.

On-job trainings are arranged for the employees. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions in Hong Kong and Mainland China.

During the year ended 31 December 2022, the Group's contributions under the Mandatory Provident Fund Scheme, which is a defined contribution scheme had no forfeited contributions may be used to reduce the existing level of contributions.

Liquidity and capital resources

The Group's financial position remained healthy during as at 31 December 2022. Our use of cash primarily related to operating activities and capital expenditure. We mainly finance our operations through cash flows generated from our operations. As at 31 December 2022, bank loan amounting to approximately HK\$1,000,000 (as at 31 December 2021: Nil) was granted by the bank in Hong Kong. The bank loan was denominated in HK\$.

As at 31 December 2022, the Group's total equity amounted to approximately HK\$22,714,000 (as at 31 December 2021: HK\$34,542,000). As at 31 December 2022, the Group's cash and cash equivalents totaled approximately HK\$21,699,000 (as at 31 December 2021: HK\$30,741,000). The current ratio and the quick ratio of the Group as at 31 December 2022 was 1.92 (as at 31 December 2021: 3.20) and 1.87 (as at 31 December 2021: 3.19) respectively. For the gearing ratio of the Group, the Group was 51.5% as at 31 December 2022 (as at 31 December 2021: 42.2%).

Note: Gearing ratio is calculated as total liabilities divided by total assets.

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 2022 and 2021 were primarily related to expenditures on additions of property, plant and machinery, amounting to approximately HK\$3,000,000 and HK\$2,181,000 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 “**Listing Date**”). The gross proceeds from the share offer amounted to approximately HK\$62,000,000 and the net proceeds was approximately HK\$31,852,000. As at 31 December 2022, approximately HK\$16,680,000 had been utilised, detailed information has been set out in the following table, prospectus of the Company dated 15 February 2018 (the “**Prospectus**”), 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 of the Company dated 17 January 2022 and the announcement of the Company dated 12 August 2022 (the “**Announcements**”).

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

	Actual utilised net proceeds up to 31 December 2022 (HK\$'000)	Unutilised net proceeds up to 31 December 2022 (HK\$'000)	Adjusted use of net proceeds as stated in the Announcements (HK\$'000)	Expected time of fully use of unutilised net proceeds
Expansion of network of automatic ID photo booths				
— Guangdong Province	6,652	—	6,652	—
— Hong Kong	282	—	282	—
Business development of automatic ID photo booths business in Hong Kong	215	5,885	6,100	31 December 2023
Purchase of equipment for the development of medical and related services	9	4,591	4,600	31 December 2023
Establishment or acquisition of new clinics, medical and related business	—	2,000	2,000	31 December 2023
Upgrading of validation centre and IT infrastructure	903	1,097	2,000	31 December 2023
General working capital	8,619	1,599	10,218	31 December 2023
Total	<u>16,680</u>	<u>15,172</u>	<u>31,852</u>	

The Company has been exploring business opportunities in Guangdong Province and other provinces in the Mainland China. However, in lieu of in person application, certain ID Documentation Issuing Authorities in the PRC have introduced online official document application systems, which recognise digital ID photos and adapt face recognition systems in replacement of traditional physical form of ID photos for certain types of licences or permit applications. Coupled with the outbreak of the COVID-19 pandemic since 2020 and the Omicron variant in early 2022, and the global macroeconomic headwinds and uncertainty, our originally planned business expansion of network of automatic ID photo booths in Guangdong Province was delayed and became increasingly challenging.

In October 2021, the Group commenced Medical Services Business by operating medical centres in Hong Kong. The Company is also actively seeking opportunities to recruit and identify suitable medical practitioners, equipment, premises and related business to further expand its Medical Services Business.

The Board considers that a more cautious approach in relation to the execution of the Group's expansion plan in the Mainland China should be adopted. As disclosed in the Announcements, the Board has considered that it would be more suitable and sustainable to reallocate the unutilised net proceeds from the expansion of network of automatic ID photo booths to (i) business development of automatic ID photo booths business in Hong Kong; (ii) purchase of equipment for the development of medical and related services; (iii) establishment or acquisition of new clinics, medical and related business; and (iv) general working capital. For further details of the change in use of proceeds, please refer to the section headed "Reasons for and benefits of the change in use of proceeds" in the announcement of the Company dated 12 August 2022.

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 is exposed to currency risk primarily through cash and bank balances that are denominated in United States dollars ("USD") and Renminbi held by Hong Kong entities. And the Group derives its revenue, makes purchases and incurs expenses denominated mainly in Renminbi and HK\$. Foreign currency exposure to USD is insignificant, as the HK\$ is pegged to the USD. 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 held, future plans for material investment and capital assets

As at 31 December 2022 and 2021, the Group did not hold any significant investments, future plans for material investment and capital assets.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

As at 31 December 2022 and 2021, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Pledge of assets

As at 31 December 2022, the banking facility of the Group were secured by restricted bank deposit with an aggregate carrying value of HK\$5,000,000 (2021:Nil).

Contingent liabilities

As at 31 December 2022 and 2021, the Group did not have any significant contingent liabilities.

Subsequent events

The outbreak of the COVID-19 pandemic was continuing since early 2020 which was challenging to the photography services business and medical services business. The Group has been closely monitoring the impact of the developments. With the lifting of compulsory quarantine requirements for immigration control and relaxation of certain social distancing measures at the end of 2022 and subsequent to the date of this announcement, we consider that the demands of Photography Services Business and Medical Services Business in Hong Kong will improve in the foreseeable future.

In February 2023, the Group received a letter of acceptance from a Hong Kong government authority, which is responsible for issuance of identification documents, regarding the tendering for the provision of automatic photographic studio services at its offices in Hong Kong for a period of 24 months with effective from 1 March 2023. We consider that the successful tender will enable the Group to further intensify the network of automatic identification photo booths, thereby enhancing the financial performance of the Group.

Dividends

The Directors do not recommend to declare an interim dividend during the year ended 31 December 2022 and 2021 and a final dividend for the year ended 31 December 2022 and 2021. Other details are set out in note 11 of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting (“AGM”) will be held on Friday, 16 June 2023. For details of the AGM, please refer to the notice of AGM which is expected to be published on 23 March 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for attending at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 12 June 2023.

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 2022, the Company has complied with all applicable code provisions of the CG Code.

COMPLIANCE WITH THE REQUIRED STANDARDS 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

During the year ended 31 December 2022, 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. For the year ended 31 December 2022, the Board was comprised of eight Directors (one non-executive Director was resigned on 12 August 2022) 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 year ended 31 December 2022, 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.

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 2022 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 draft consolidated financial statements for the year ended 31 December 2022.

PUBLICATION OF THE ANNUAL RESULTS AND 2022 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 2022 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, 17 March 2023

As at the date of this announcement, the executive Directors are Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Dr. Chan Wing Lok, Brian; the non-executive Directors is 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 Listed Company Information" page of The Stock Exchange of Hong Kong Limited website at www.hkexnews.hk for a minimum period of 7 days from the date of publication and on the website of the Company at www.maxsightgroup.com.