

# 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

# SHARE OFFER



Sole Sponsor



Joint Bookrunners and Joint Lead Managers



\* For identification purpose only

## IMPORTANT

**IMPORTANT:** If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

# 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)

## LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	: 200,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Hong Kong Offer Shares	: 20,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	: Not more than HK\$0.35 per Offer Share, and expected to be not less than HK\$0.30 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 8483

### Sole Sponsor



### Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix VI headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) and our Company on the Price Determination Date, which is expected to be on or about Friday, 23 February 2018 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company may agree and in any event, not later than Monday, 26 February 2018. The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will lapse immediately.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, notices of reduction of the indicative Offer Price will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.maxsightgroup.com](http://www.maxsightgroup.com).

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities laws of the US and may not be offered, sold, pledged, or transferred within the US, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable US securities law.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting – Underwriting Arrangements and Expenses – the Hong Kong Public Offering – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus.

\* For identification purpose only

15 February 2018

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## CHARACTERISTICS OF GEM

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*GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

*Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.*

*The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.*

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## EXPECTED TIMETABLE

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*If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be published in English on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.maxsightgroup.com](http://www.maxsightgroup.com).*

**Date (Note 1)**

Hong Kong Public Offering commences and

**WHITE** and **YELLOW** Application

Forms available from .....9:00 a.m. on  
Thursday, 15 February, 2018

Application lists of the Hong Kong Public

Offering open (Note 2) ..... 11:45 a.m. on  
Thursday, 22 February, 2018

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and to give **electronic**

**application instructions** to HKSCC (Note 3)..... 12:00 noon on  
Thursday, 22 February, 2018

Application lists of the Hong Kong Public

Offering close (Note 2) .....12:00 noon on  
Thursday, 22 February, 2018

Expected Price Determination Date on or around (Note 4) ..... Friday,  
23 February, 2018

Announcement of (i) the Offer Price; (ii) the level of indications of interest in the Placing; (iii) the level of applications in the Hong Kong Public Offering; (iv) the basis of allotment of the Hong Kong Offer Shares; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offering and the Placing to be published on the website of our Company at [www.maxsightgroup.com](http://www.maxsightgroup.com) (Note 7) and the website of the Stock Exchange

at [www.hkexnews.hk](http://www.hkexnews.hk) ..... Tuesday, 27 February, 2018

Results of allocation in the Hong Kong

Public Offering will be available at  
[www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with

a “search by ID” function from .....Tuesday, 27 February, 2018

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## EXPECTED TIMETABLE

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Announcement of results of allotment of  
the Hong Kong Public Offering (with successful  
applicants' identification document numbers,  
where applicable) to be available through  
a variety of channels as described in the  
section headed "How to Apply for  
the Hong Kong Offer Shares –  
10. Publication of results" in this prospectus from . . . . . Tuesday, 27 February, 2018

Despatch/collection of share certificates and/or  
refund cheques on or before (*Notes 4 to 10*) . . . . . Tuesday, 27 February, 2018

Dealing in the Shares on GEM to commence at . . . . . 9:00 a.m., Wednesday,  
28 February, 2018

*Notes:*

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.
2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 22 February, 2018, the application lists will not open or close on that day. Further information is set forth in the section headed "How to Apply for the Hong Kong Offer Shares – 9. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
3. Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares – 5. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.
4. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, 23 February, 2018. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners Bookrunner (for themselves and on behalf of the Underwriters) on or around Friday, 23 February, 2018, and in any event, not later than Monday, 26 February, 2018, the Share Offer will not become unconditional and will lapse immediately. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.35 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.35 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but the surplus application monies will be refunded, without interest, as provided in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.
5. Share certificates for the Offer Shares are expected to be issued on Tuesday, 27 February, 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 28 February, 2018 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Hong Kong Public Offering does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.
6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

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## EXPECTED TIMETABLE

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7. None of our Company's website or any of the information contained in our Company's website forms part of this prospectus.
8. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Form(s) and provide all information required may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Tuesday, 27 February, 2018 or any other day as announced by us as the date of dispatch of Share certificates/refund cheques. Individuals who are eligible for personal collection must not authorize any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
9. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms and provide all information required may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
10. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for the Hong Kong Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Monies" of this prospectus.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer. The contents of our Company's website at [www.maxsightgroup.com](http://www.maxsightgroup.com) do not form part of this prospectus.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a leading automatic ID photo booth operator in Hong Kong and we operate an iconic brand “Max Sight Photo 名仕快相” and “名仕富美” for automatic ID photo booths in Hong Kong and Guangdong Province, respectively. According to the F&S Report, our Group was the only photo booth operator with a 100% market share of the automatic ID photo service market in Hong Kong and also the largest photo booth operator with a 43.3% share of the total ID photo services market in terms of revenue in Hong Kong in 2016 respectively. Further, according to the F&S Report, our Group was the second largest player in the automatic ID photo booth market of Guangdong Province in terms of the number of ID photo booths operated, and had a market share of approximately 11.0% in 2016. Over our 27 years of operating history, we believe our brand has become synonymous with automatic ID photo booths.

Our target customers are consumers of the general public and our customer base in Hong Kong and the Guangdong Province is large and diverse. Our automatic ID photo booths are strategically located in prime locations of high footfall and/or where there may be ambient demand for digital ID photos which include ID Documentations Issuing Authorities, Railway and Airport, various universities, hospitals and shopping malls in Hong Kong and Guangdong Province. Due to the nature of our business, we do not rely on any single customer during the Track Record Period.

As at the Latest Practicable Date, we owned an aggregate of 214 automatic ID photo booths, of which 83 photo booths were installed and operated in Hong Kong and were strategically located in the application centres of the PRC permits issuing authority and other various ID Documentations Issuing Authorities, over one-third of all metro stations, the Airport, as well as various universities and foreign embassies. We also operated 131 automatic ID photo booths in Guangdong Province which spread across over one-third of all Guangzhou metro stations, various metro stations in Dongguan and Foshan, the application centres of PRC permits issuing authorities and the driving licence issuing authority as at the Latest Practicable Date. According to the F&S Report, the revenue generated by automatic ID photo booths in Guangdong Province increased from approximately RMB6.9 million in 2012 to approximately RMB30.8 million in 2016 and is expected to further increase to approximately RMB138.6 million in 2021, with a CAGR of approximately 37.0% from 2017 to 2021. We believe the automatic ID photo booth business has considerable expansion potential in the PRC.

The following table sets forth the breakdown of our revenue and the number of transactions by different categories of the lessors for the periods indicated:

	Year ended 31 December						Eight months ended 31 August					
	2015			2016			2016			2017		
	Revenue HK\$'000	% of revenue	Number of transactions '000 (approx.)	Revenue HK\$'000	% of revenue	Number of transactions '000 (approx.)	Revenue HK\$'000	% of revenue	Number of transactions '000 (approx.)	Revenue HK\$'000	% of revenue	Number of transactions '000 (approx.)
	(unaudited)											
Hong Kong												
- PRC permit issuing authority in Hong Kong <sup>(Note 1)</sup>	23,220	46.7	589.5	20,010	42.2	400.2	14,156	43.2	283.1	11,991	37.7	239.8
- Other ID Documentations Issuing Authorities	14,826	29.8	305.3	15,130	31.9	303.0	10,464	31.9	209.3	10,494	33.0	210.8
- Railway and Airport	5,763	11.6	137.0	6,306	13.3	148.7	4,049	12.3	97.4	5,252	16.5	118.8
- Others <sup>(Note 2)</sup>	290	0.6	9.6	279	0.6	9.2	196	0.6	6.4	194	0.6	6.4
Sub-total	44,099	88.6	1,041.4	41,725	87.9	861.1	28,865	88.0	596.2	27,931	87.8	575.8
Guangdong Province												
- ID Documentations Issuing Authorities	2,027	4.1	58.8	2,332	4.9	76.6	1,570	4.8	50.3	1,697	5.4	58.4
- Railway	3,420	6.9	109.4	3,328	7.0	106.9	2,307	7.0	72.1	2,128	6.7	70.2
- Others <sup>(Note 3)</sup>	207	0.4	7.4	68	0.1	3.1	57	0.2	2.4	39	0.1	1.9
Sub-total	5,654	11.4	175.6	5,728	12.1	186.6	3,934	12.0	124.8	3,864	12.2	130.5
Total	49,753	100.0	1,217.0	47,453	100.0	1,047.8	32,799	100.0	721.0	31,795	100.0	706.3

## SUMMARY

*Notes:*

1. All of our photo booths situated at PRC permit issuing authority in Hong Kong are HK Validation Photo Booths.
2. Others mainly include universities and shopping malls in Hong Kong.
3. Others mainly include hospitals and a shopping mall in Guangzhou.

The following table sets forth our gross profit and gross profit margin by geographical locations we operated in for the periods indicated:

	Year ended 31 December				Eight months ended 31 August			
	2015		2016		2016		2017	
	Gross Profit	Gross profit Margin	Gross Profit	Gross profit Margin	Gross Profit	Gross profit Margin	Gross Profit	Gross profit Margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	18,768	42.6	18,287	43.8	12,654	43.8	12,495	44.7
Guangdong Province	2,201	38.9	2,523	44.0	1,725	43.8	1,714	44.4
<b>Total</b>	<b>20,969</b>	<b>42.1</b>	<b>20,810</b>	<b>43.9</b>	<b>14,379</b>	<b>43.8</b>	<b>14,209</b>	<b>44.7</b>

During the Track Record Period, the gross profit of our Group is mainly contributed by the photo booths in Hong Kong. Our gross profit margin attributable to photo booths in Hong Kong and Guangdong Province were similar during the Track Record Period.

The following table illustrates, for the periods indicated, the geographical breakdown of our total revenue generated by self-owned or leased photo booths and the number of ID photo booths in Hong Kong and Guangdong Province:

Geographical location	Year ended 31 December						Eight months ended			
	2015			2016			31 August 2017			
	Number of ID photo booths	Revenue	% of revenue	Number of ID photo booths	Revenue	% of revenue	Number of ID photo booths	Revenue	% of revenue	
	HK\$'000			HK\$'000			HK\$'000			
Hong Kong										
– Self-owned photo booths	71	44,099	88.6%	80	41,725	87.9%	82	27,931	87.8%	
Guangdong Province										
– Self-owned photo booths	26	3,780	7.6%	26	4,170	8.8%	57	3,165	10.0%	
– Leased photo booths <sup>(Note)</sup>	40	1,874	3.8%	40	1,558	3.3%	37	699	2.2%	
	66	5,654	11.4%	66	5,728	12.1%	94	3,864	12.2%	
<b>Total</b>	<b>137</b>	<b>49,753</b>	<b>100%</b>	<b>146</b>	<b>47,453</b>	<b>100%</b>	<b>176</b>	<b>31,795</b>	<b>100%</b>	

*Note:* As at the Latest Practicable Date, we have replaced all leased photo booths from the Photo-Me Group with our self-owned photo booths.

As a leading automatic ID photo booth operator in Hong Kong, our revenue was mainly contributed by the photo booths operated in Hong Kong, which accounted for approximately 88.6%, 87.9% and 87.8% of our total revenue respectively during the Track Record Period. Such revenue contribution was mainly from our photo booths installed and operated in the ID Documentations Issuing Authorities in Hong Kong where there is ambient demand for ID photos, which accounted for approximately 76.5%, 74.1% and 70.7% of our total revenue respectively during the Track Record Period. For the PRC market, our Group intends to replicate the success of our business model in Hong Kong to the Guangdong Province as one of the business strategies. During the Track Record Period, the majority of our photo booths in Guangdong Province was installed at railway stations, but the contribution from ID Documentations Issuing Authorities in the PRC recorded faster growth than that from the railway stations in the Guangdong Province. For details, please refer to the section headed “Business – Our Strategies” in this prospectus.

Our revenue decreased by approximately HK\$2.3 million from approximately HK\$49.8 million for the year ended 31 December 2015 to approximately HK\$47.5 million for the year ended 31 December 2016, which was mainly due to decrease in revenue generated from photo booths located in ID Documentations Issuing Authorities in Hong Kong of approximately HK\$2.9 million for the same period. Such decrease was consistent with the decrease in number of transactions generated from photo booths located in ID Documentations Issuing Authorities in Hong Kong of approximately 0.19 million for the same period.

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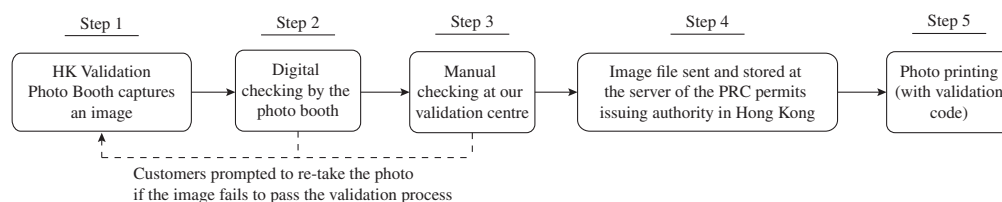
## SUMMARY

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For the eight months ended 31 August 2017, our revenue decreased by approximately HK\$1.0 million from approximately HK\$32.8 million for the eight months ended 31 August 2016 to approximately HK\$31.8 million for the eight months ended 31 August 2017, which was mainly due to decrease in revenue generated from photo booths located in ID Documentations Issuing Authorities in Hong Kong for the same period of approximately HK\$2.1 million and was partially offset by the increase in revenue from photo booths located in Railway and Airport in Hong Kong of approximately HK\$1.2 million. Such decrease was consistent with the decrease in number of transactions generated from photo booths located in ID Documentations Issuing Authorities in Hong Kong of approximately 0.04 million for the same period and was partially offset by increase in the number of transactions generated from photo booths located in Railway and Airport in Hong Kong of approximately 0.02 million.

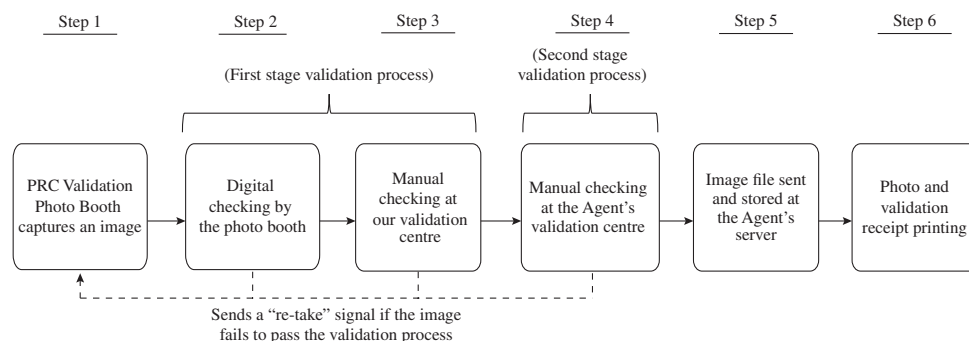
Our success in the automatic ID photo industry in Hong Kong and Guangdong Province is also attributable to the Validation Technology of our photo booths for certain PRC Permit Photos. In 2010, we procured and operated the first batch of PRC Validation Photo Booths in Guangzhou which can validate photos for PRC Permit Photos. In 2012, we launched our HK Validation Photo Booths in Hong Kong with Validation Technology that we developed with the Technology Service Provider. The validation process is illustrated in the workflow below:

### *Hong Kong:*



Our HK Validation Photo Booths conduct digital checking on the image file, which will be subsequently sent to our validation centre for manual checking. Successful photos will be printed with validation code assigned.

### *Guangdong Province:*



Our validation process in Guangdong Province conducts digital checking on the image file, which will be subsequently sent to our own and the Agent's validation centres for manual checking. Successful photos will be printed with a validation receipt and code assigned.

The Validation Technology in our Validation Photo Booths is an integrated software with photogrammetry-based scanning technology pre-set with various numeric parameters which analyses the image quality factors and measurements extracted from a captured image to ensure the ID photos comply with the Specification Requirements, which mainly include the following parameters: (i) size and resolution of the photo; (ii) exposure, saturation and brightness of the photo; (iii) position of the user's image and cropping of the captured image including distance between the top of the head with the upper border of the photo and distance between the eye level with the upper border of the photo; (iv) background colour; (v) colour of the user's clothes; (vi) facial features of the user in the photo including whether the eyes are open and looking forward, whether the head is tilted, the exposure of teeth and ears, and user's facial expressions; (vii) existence of inappropriate heavy makeup, hairstyle, accessories (like glasses), gesture and apparel. The measurements of the pre-set parameters can be modified to cater for the Specification Requirements. The PRC permits issuing authority in Hong Kong accept ID photos which meet the Specification Requirements, no matter they are taken at our ID photo booths in Hong Kong or other photo studios without Validation Technology in Hong Kong.

Our Group established business relationships with the PRC permits issuing authority in Hong Kong since 1998 because our automatic ID photo booths could provide convenient access to instant ID photos for customers and accurate validation services that satisfy the

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## SUMMARY

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Specification Requirements imposed by the relevant authority. Further, because of the said reasons and our accumulated experience in operating automatic ID photo booths in PRC Permits Issuing Authority in Hong Kong, the Group established business relationship with Prestige Technology and Driving Licence Authority Affiliate in 2013 and 2014 respectively, where the Group gained access to relevant PRC public security authorities in Guangdong Province.

### **RELIANCE ON PHOTO-ME GROUP, OUR SUBSTANTIAL SHAREHOLDER**

During the Track Record Period, our Group procured automatic ID photo booths and photo booth consumables from the Photo-Me Group, our Substantial Shareholder, and Supplier A, an independent photo booth vendor which is also our supplier of consumables during the Track Record Period. Photo-Me will hold 13.75% of the total issued share capital of our Company immediately after the Listing (assuming the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme are not exercised).

We have more than 24 years of business relationship with the Photo-Me Group when we began procuring photo booths from the Photo-Me Group in 1993. During the Track Record Period, our aggregate purchases of photo booths and spare parts from the Photo-Me Group amounted to approximately HK\$0.04 million, HK\$1.2 million and HK\$0.4 million, accounting for 1.7%, 100% and 100% of our total photo booth and spare parts purchases, respectively, whilst our purchases of photo booth consumables from the Photo-Me Group amounted to approximately HK\$1.1 million, HK\$1.3 million and HK\$0.6 million, accounting for approximately 84.5%, 88.7% and 83.1% of our total purchase of photo booth consumables, respectively, for the same periods. For year ended 31 December 2015, we purchased a total of 24 photo booths, 100% of which were sourced from the Supplier A in an amount of approximately HK\$2.5 million; for year ended 31 December 2016, we purchased a total of 16 photo booths, 100% of which were sourced from the Photo-Me Group in an amount of approximately HK\$1.2 million; and for the year ended 31 December 2017, we placed purchase orders for total 110 photo booths, among which 70 photo booths or 64% of total purchase orders were sourced from Supplier A in an amount of approximately HK\$6.8 million, and 40 photo booths or 36% of total purchase orders were sourced from the Photo-Me Group in an amount of approximately HK\$3.0 million. In light of our expansion plan in Guangdong Province and our effort to balance our photo booth procurement from different suppliers, we intend to adjust the level of sourcing photo booths from Supplier A and/or other suppliers in the coming years. Our Directors therefore believe that this would help reduce the level of our reliance on the Photo-Me Group in the future. For the year ending 31 December 2018, we intend to purchase a total of 97 photo booths, among which 45 photo booths or 46% of our total planned purchase in an amount of approximately HK\$4.3 million from Supplier A and/or Potential Vender, and 52 photo booths or 54% of our total planned purchase in an amount of approximately HK\$3.8 million from the Photo-Me Group respectively; for the year ending 31 December 2019, we intend to purchase a total of 143 photo booths, among which 70 photo booths or 49% of our total planned purchase in an amount of approximately HK\$6.7 million from Supplier A and/or Potential Vender and 73 photo booths or 51% of our total planned purchase in an amount of approximately HK\$5.3 million from the Photo-Me Group. To ensure the continuous supply stability and continuity of our business operation, our Directors are of the view that it is in the interests of our Company and our Shareholders as a whole to enter into the Master Supply Agreement with the Photo-Me Group. For details of the Master Supply Agreement, please refer to the section headed “Connected Transactions – Non-exempt Continuing Connected Transactions – Master Supply Agreement” in this prospectus.

### **OUR COMPETITIVE STRENGTHS**

We believe the following are our key competitive strengths that have contributed significantly to our success and differentiate us from our competitors:

- a leading automatic ID photo booth operator with an iconic brand in Hong Kong and Guangdong Province;
- operation of ID photo booths strategically located in prime locations of high footfall and/or where there are ambient demand for ID photos;
- our established business relationship with the PRC permits issuing authority in Hong Kong; and
- experienced management team with a proven track record in operating our business.

For further details of our strengths, please refer to the section headed “Business – Our Competitive Strengths” in this prospectus.

### **OUR STRATEGIES**

We intend to further penetrate into the automatic ID photo booths market in Guangdong Province and to maintain our leading position as an automatic ID photo booth operator in Hong Kong by implementing the following strategies:

- replicate the success of our business model in Hong Kong to Guangdong Province by expanding our network of ID photo booths through installing new photo booths

## SUMMARY

in, selected sites of railway stations and ID Documentation Issuing Authorities and upgrading existing photo booths;

- maintain our competitiveness in Hong Kong through continued market penetration by extending our reach to metro stations and exploring new sites; and
- upgrade our validation centre and IT infrastructure to cope with our anticipated business growth.

For further details of our strategies, please refer to the section headed “Business – Our Strategies” in this prospectus.

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer, Causeway Treasure, Photo-Me and Mr. Cheung will each control approximately 53.45%, 13.75% and 7.80% of the voting rights in our Company (excluding the Shares which may be issued upon exercise of the Offer Size Adjustment Option and without taking into account any Shares which may be allotted and issued upon any exercise of the options which may be granted under the Share Option Scheme). As Mr. Jamson Chan, Mr. Timmy Chan and Ms. AY Ying Ho will, through Causeway Treasure, be entitled to control the exercise of the voting rights of 30% or more of the Shares, Mr. Jamson Chan, Mr. Timmy Chan, Ms. AY Ying Ho and Causeway Treasure are considered to be Controlling Shareholders under the GEM Listing Rules immediately following the completion of Capitalisation Issue and Share Offer.

### SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table set forth a summary of our financial information during the Track Record Period, and should be read in conjunction with our financial information and the notes thereto included in the Accountants’ Report set out in Appendix I to this prospectus.

#### Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
			<i>(unaudited)</i>	
Revenue	49,753	47,453	32,799	31,795
Gross profit	20,969	20,810	14,379	14,209
Profit (loss) attributable to owners of the Company	5,969	5,976	4,305	(4,643)
Profit attributable to owners of the Company (excluding non-recurring listing expenses) <sup>(Note)</sup>	5,969	5,976	4,305	5,112

*Note:* Profit attributable to owners of the Company (excluding non-recurring listing expenses) is a non-HKFRS measure.

#### Selected Consolidated Balance Sheet Items

	As at 31 December		As at
	2015 HK\$'000	2016 HK\$'000	31 August 2017 HK\$'000
Non-current assets	4,306	4,377	6,203
Current assets	22,929	28,081	19,084
Current liabilities	4,166	4,679	18,114
Net current assets	18,763	23,402	970
Net assets	22,576	27,440	6,981
Total equity	22,576	27,440	6,981

Due to increase in amount of accruals in relation to listing expenses and dividend paid/payable during the period, our current assets decreased from approximately HK\$28.1 million as at 31 December 2016 to approximately HK\$19.1 million as at 31 August 2017 and our current liabilities increased from approximately HK\$4.7 million as at 31 December 2016 to approximately HK\$18.1 million as at 31 August 2017, resulting in decline in our net current assets, which decreased from approximately HK\$23.4 million as at 31 December 2016 to approximately HK\$1.0 million as at 31 August 2017.

## SUMMARY

### Consolidated Statement of Cash Flow

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
Operating cash flows before movements in working capital	12,601	12,200	8,736	(728)
Net cash from (used in) operating activities	12,770	9,632	9,348	(2,148)
Net cash (used in) from investing activities	(2,323)	1,665	1,316	(1,882)
Net cash used in financing activities	(7,780)	(4,222)	(4,148)	(7,024)
Net increase (decrease) in cash and cash equivalents	2,667	7,075	6,516	(11,054)
Cash and cash equivalents at beginning of the year/period	14,884	17,533	17,533	24,543
Effect of foreign currency rate changes	(18)	(65)	(19)	72
Cash and cash equivalents at end of the year/period	<u>17,533</u>	<u>24,543</u>	<u>24,030</u>	<u>13,561</u>

We had positive operating cash flows before movements in working capital of approximately HK\$12.2 million for the year ended 31 December 2016 and recorded negative operating cash flows before movements in working capital of approximately HK\$0.7 million for the eight months ended 31 August 2017. Our net cash generated from operating activities changed from approximately HK\$9.6 million for the year ended 31 December 2016 to net cash used in operating activities of approximately HK\$2.1 million for the eight months ended 31 August 2017, which was mainly due to increase in relation to deferred listing expenses and that the operation results of eight months instead of full year were taken into calculation.

Our cash and cash equivalents balance decreased from approximately HK\$24.5 million as at 31 December 2016 to approximately HK\$13.6 million as at 31 August 2017, which was mainly due to (i) decrease in cash flows from operating activities of approximately HK\$11.8 million as discussed above; (ii) increase in cash used in investing activities of approximately HK\$3.5 million; and (iii) increase in cash flows used in financing activities of approximately HK\$2.8 million, mainly due to increase in dividend paid. Please refer to the section headed “Financial Information – Liquidity And Capital Resources” of this prospectus for detail discussion.

### Key Financial Ratios

	Year ended 31 December		Eight months ended
	2015	2016	31 August 2017
Gross profit margin <sup>(1)</sup>	42.1%	43.9%	44.7%
Net profit/(loss) margin <sup>(2)</sup>	12.0%	12.6%	16.1% <sup>(9)</sup>
Return on equity <sup>(3)</sup>	47.8%	36.2%	109.8% <sup>(9)</sup>
Return on total assets <sup>(4)</sup>	35.4%	27.7%	40.1% <sup>(9)</sup>
Current ratio <sup>(5)</sup>	5.5 times	6.0 times	1.1 times
Quick ratio <sup>(6)</sup>	5.4 times	5.9 times	1.0 times
Gearing ratio <sup>(7)</sup>	N/A	N/A	N/A
Net debt to equity ratio <sup>(8)</sup>	N/A	N/A	N/A

#### Notes:

- Gross profit margin for each of the periods is calculated based on gross profit divided by revenue for the respective period. Please refer to the section headed “Financial Information – Review of Historical Results of Operations” in this prospectus for more details on our gross profit margins.
- Net profit/(loss) margin for each of the periods is calculated based on profit/(loss) attributable to the owners of the Company divided by revenue for the respective period. Please refer to the section headed “Financial Information – Review of Historical Results of Operations” in this prospectus for more details on our net profit margins.
- Return on equity is calculated by dividing profit/(loss) for the year/period attributable to the owners of the Company (or the annualised profit, for the eight months ended 31 August 2017) by the equity attributable to owners of the Company as at the end of the respective period and multiplying the resulting value by 100%.
- Return on assets is calculated by dividing profit/(loss) for the year/period (or the annualised profit, for the eight months ended 31 August 2017) by total assets as at the end of the respective year/period and multiplying the resulting value by 100%.

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## SUMMARY

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5. Current ratios is calculated as the total current assets as at the end of the respective year/period divided by the total current liabilities as at the end of the respective year/period. Our current ratio decreased to approximately 1.1 as at 31 August 2017 and such decrease was mainly due to (i) distribution of dividend paid/payable during the period and (ii) the increase in accrued listing expenses.
6. Quick ratio is calculated as total current assets less inventories as at the end of the respective year/period and divided by total current liabilities as at the end of the respective year/period.
7. Gearing ratio is calculated as the total interest-bearing loans, excluding finance lease obligation, divided by total equity as at the end of the respective year/period and multiplied by 100%.
8. Net debt to equity ratios is calculated as net debt as at the end of the respective year/period divided by total equity as at the end of the respective year/period and multiplied by 100%. Net debt includes all interest-bearing loans (if any), net of cash and cash equivalents.
9. Ratio calculation excluded the non-recurring listing expenses. Our return on equity would increase to approximately 109.8% as at 31 August 2017 mainly attributable to decrease in our total equity as a result of dividend paid/payable during the period and our return on total assets would increase to approximately 40.1% as at 31 August 2017, mainly attributable to lower level of bank balances and cash as compared to that of the year ended 31 December 2016, the reason of which has been discussed above in the subsection headed “Selected Consolidated Balance Sheet Items” of this section. If the effect of the non-recurring listing expenses of approximately HK\$9.8 million incurred for the eight months ended 31 August 2017 is included, our loss attributable to owners of our Company for that period is used in the calculation, net profit margin, return on equity and return on total assets would be approximately HK\$4.6 million, -14.6%, -99.8% and -17.7%, respectively.

### DIVIDENDS

For the years ended 31 December 2015 and 31 December 2016, dividends of approximately HK\$4.0 million and HK\$4.0 million were declared and paid to the Shareholders, respectively. For the eight months ended 31 August 2017, dividends of approximately HK\$17.7 million were declared and approximately HK\$6.9 million were paid to the Shareholders. Dividend of approximately HK\$10.8 million will be settled to the relevant Shareholders by our cash flow generated from operations before Listing.

As at the Latest Practicable Date, our Group did not have any dividend policy. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. For further details, please refer to the section headed “Financial Information – Dividends” in this prospectus.

### STATISTICS OF THE SHARE OFFER

Market capitalisation at Share Offer <sup>(1)</sup> :	HK\$240 million to HK\$280 million
Offer size:	25% of the enlarged issued share capital of our Company
Offer Price per Offer Share:	HK\$0.30 to HK\$0.35 per Offer Share
Number of Offer Shares:	200,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Hong Kong Offer Shares:	20,000,000 Shares (subject to reallocation)
Number of Placing Shares:	180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Size Adjustment Option <sup>(2)</sup> :	Up to 15% of the Offer Shares initially available under the Share Offer

	<b>Based on the Offer Price of HK\$0.30 per Share (low-end of Offer Price)</b>	<b>Based on the Offer Price of HK\$0.35 per Share (high-end of Offer Price)</b>
Unaudited pro forma adjusted consolidated net tangible asset per Share <sup>(3)</sup>	HK\$0.06	HK\$0.08

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## SUMMARY

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*Notes:*

1. The calculation of market capitalisation of the Shares is based on 200,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer.
2. In connection with the Share Offer, our Company granted the Joint Bookrunners (for themselves and on behalf of the Underwriters) the Offer Size Adjustment Option to cover over-allocations under the Placing (if any). Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Offer Price, up to an aggregate of 30,000,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer. Please refer to the section headed “Structure of the Share Offer – Offer Size Adjustment Option” in this prospectus for further details.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 per Share is arrived at on the basis that 800,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 August 2017 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed “Share Capital – General Mandate to Issue Shares” or the section headed “Share Capital – General Mandate to Repurchase Shares” in this prospectus.

### LOSS ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017

On the bases set out in Appendix III to this prospectus, the Directors estimate that the unaudited consolidated loss attributable to owners of our Company is as follows:

Estimated consolidated loss attributable to owners of our Company ( <i>Note 1</i> )	Not more than HK\$4.0 million
Adjusted estimated consolidated profit attributable to owners of our Company (excluding non-recurring listing expenses) ( <i>Note 2</i> )	Not less than HK\$7.0 million

The following unaudited pro forma estimated loss per Share for the year ended 31 December 2017 has been prepared in accordance with Rule 7.31 of the GEM Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Share Offer, as if it had taken place on 1 January 2017. The unaudited pro forma estimated loss per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of our Group following the Share Offer.

Unaudited pro forma estimated loss per Share ( <i>Note 3</i> )	Not more than HK\$0.57 cents
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*Notes:*

- (1) The bases on which the above loss estimate for the year ended 31 December 2017 has been prepared are summarised in Appendix III to this prospectus.
- (2) For illustrative purpose, if excluding the estimated listing expenses incurred during the year ended 31 December 2017 of approximately HK\$11.3 million, the adjusted estimated consolidated profit attributable to owners of the Company (excluding non-recurring listing expenses) would be not less than HK\$7.0 million for the year ended 31 December 2017. Profit attributable to owners of the Company (excluding non-recurring listing expenses) is a non-HKFRS measure.
- (3) The calculation of the unaudited pro forma estimated loss per Share is based on the estimated consolidated loss attributable to owners of our Company for the year ended 31 December 2017, assuming a weighted average of 712,147,000 Shares in issue during the entire year and the Share Offer and Capitalisation Issue had been completed on 1 January 2017 without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme. The estimated consolidated loss attributable to owners of the Company for the year ended 31 December 2017 has not taken into account any interest income that would have been earned if the proceeds from the Share Offer had been received by the Company on 1 January 2017.

### REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Prior to the Listing, funding of our business activities was primarily from internally generated cash. Our Directors believe that Listing is strategically significant to the long-term growth of our Group’s business as it provides the financial resources for our Group’s expansion in Guangdong Province, strengthening of our competitiveness, enhancement of our IT infrastructure and promotion of our Group’s brand awareness, which lay a solid foundation for our Group for its long-term development and growth. First and foremost, our Directors believe that our expansion plan in Guangdong Province is a key driver for our future growth, and the implementation plan of our business strategies particularly for expansion our network of photo booths, our validation centre and IT infrastructure, involves significant capital outlay which will require considerable additional financial resources. During the Track Record Period, we have successfully secured contracts with the railway corporations in Foshan and Dongguan, Guangdong Province, respectively. Pursuant to such contracts, we have installed and operated photo booths in 21 Foshan metro stations and six Dongguan metro stations, respectively. We



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## SUMMARY

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have also entered into a collaboration agreement with Prestige Technology to introduce the permits application/photo-taking machines in certain ID Documentations Issuing Authorities in Guangdong Province. For details, please refer to the section headed “Business – Our Strategies” and the section headed “Statement of Business Objectives and Use of Proceeds – Implementation Plans” in this prospectus.

We had approached commercial banks in the past for credit facilities. However, most banks would require collateral, either in the form of cash or immovable assets. It has been difficult for us to secure bank borrowings, without the support of our Controlling Shareholders and on terms which we find favourable. Our Directors believe that a listing status could help enhance our Group’s creditworthiness to banks to facilitate its future financing needs. Moreover, the Listing will provide a platform for our Group’s fund raising in the future through equity financing and enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares when they are privately held before the Listing.

Our Directors also believe that the brand recognition of our Group can be broadened after obtaining a listing status and the corporate profile of our Group can be enhanced, which in turn will contribute to our Group’s ability to secure more advantageous photo booth sites and attract more customers. Our Directors believe that our Group’s credibility could also be enhanced following the Listing, which would provide us with more leverage and competitive advantages in the tendering process and would attract more opportunities to collaborate with strategic partners.

In addition, through the Listing, our Directors believe that our Group can gain direct access to the capital market for equity and/or debt financing to fund the current business operations as well as to finance our future expansion plans. Our Directors believe that this way of financing is beneficial to the overall business development and financial performance of our Group, which in turn will maximise Shareholders’ return.

The net proceeds from the issue of the Offer Shares under the Share Offer based on the Offer Price of HK\$0.325 per Share, being the mid-point of the indicative Offer Price range, are estimated to be approximately HK\$39.3 million, after deducting the estimated underwriting commission and total expenses in the aggregate amount of approximately HK\$25.7 million, paid and payable by our Company from the gross proceeds of the Share Offer and assuming the Offer Size Adjustment option is not exercised. We intend to apply the net proceeds of the issue of the Offer Shares under the Share Offer in the following manner: (a) approximately 87.5% of the total estimated net proceeds, or HK\$34.4 million, will be used to expand our network of automatic ID photo booths by acquiring new photo booths in Hong Kong and Guangdong Province from Photo-Me Group, Supplier A and other potential vendors; (b) approximately 5.1% of the total estimated net proceeds, or HK\$2.0 million, will be used to upgrade our validation centre and our IT infrastructure; and (c) approximately 7.4% of the total estimated net proceeds, or HK\$2.9 million, will be used for general working capital purposes.

### LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. Assuming an Offer Price of HK\$0.325 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total listing expenses is estimated to be approximately HK\$25.7 million, of which approximately HK\$9.8 million had been charged to our consolidated statement of profit and loss and other comprehensive income for the eight months ended 31 August 2017 and an addition of approximately HK\$1.5 million and HK\$7.3 million are expected to be recognised in our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2017 and for the year ending 31 December 2018 respectively, and approximately HK\$7.1 million is expected to be capitalised as charged against equity upon the Share Offer under the relevant accounting standard. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions. **Prospective investors should note that our financial results for the year ended 31 December 2017 will be adversely affected by the non-recurring listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

### RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure basically remain unchanged subsequent to the Track Record Period and up to the prospectus date. Based on the unaudited financial information of our Group, our revenue and gross profit remained stable for the year

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## SUMMARY

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ended 31 December 2017 as compared to the corresponding period in 2016. In October 2017, we have entered into a contract with a railway corporation in Guangzhou regarding the installation and operation of photo booths in 38 new metro stations in Guangzhou. Pursuant to such contract, we have installed and operated photo booths in 34 new metro stations in Guangzhou as at the Latest Practicable Date. We expect to install and operate photo booths in the remaining four new metro stations in Guangzhou in or around first quarter of 2018 subject to the handover of sites of the metro stations by the railway corporation in Guangzhou. In November 2017, we have entered into a contract with a supermarket chain in Shenzhen pursuant to which we will install and operate one photo booth in their premises before 28 September 2019. With our intention to further penetrate into the automatic ID photo booth market in Guangdong Province, we expect the revenue derived from the PRC will increase in the future as our operations in Guangdong Province will be larger than that in Hong Kong.

The impact of the listing expenses on our consolidated statements of profit or loss and other comprehensive income has posted a material adverse change in the financial or trading position or prospect of our Group since 31 August 2017 (being the date of the latest audited consolidated financial statements were made up). Our Directors estimate that the revenue of the year ended 31 December 2017 would decrease by approximately \$1.0 million or approximately 2.0% comparing to the revenue of the year ended 31 December 2016. Such decrease would mainly due to the decline in the number of ID photos taken in PRC permits issuing authority in Hong Kong, which was mainly caused by the change in validity period of the new Home Visit Permit for applicants under 18 from the original three years to five years thereafter effective from 2 January 2013 by the PRC government. As a result, the renewal for permits affected the number of transactions and the revenue contributed by the PRC permit issuing authority in Hong Kong during the Track Record Period and also the year ended 31 December 2017. Our Directors consider that our financial performance for the year ended 31 December 2017 would be significantly adversely affected by the recognition of listing expenses and a loss would be incurred for the year ended 31 December 2017. The final amount of these amounts to be recognised to the loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. As a result of these expenses, our Group is estimated to record a net loss attributable to owners of our Company of not more than HK\$4.0 million (a net profit attributable to owners of our Company excluding listing expenses at no less than HK\$7.0 million) and an improvement to a lower level of net cash used in operating activities, comparing to that of eight months ended 31 August 2017, mainly due to the cash generated from operating revenue being greater than the cash used for listing expenses for the four months ended 31 December 2017. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ended 31 December 2017.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading positions of our Group since 31 August 2017, being the date to which the latest financial statements of our Group were made up, and there had been no event since 31 August 2017 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

### **COMPETITIVE LANDSCAPE OF THE AUTOMATIC ID PHOTO SERVICE INDUSTRY IN HONG KONG AND GUANGDONG PROVINCE**

According to the F&S Report, our Group was the only photo booth operator with a 100% share of the automatic ID photo service market in Hong Kong and also the largest photo booth operator with a 43.3% share of the total photo booth services market in terms of revenue in Hong Kong in 2016 respectively. As the customers increasingly expect the ID photo service providers to streamline photo-taking workflows and provide quality photos, the major players which have quality photo booths and invested in the infrastructure, including our Group, are likely to find their leadership status strengthened. The automatic ID photo industry in Guangdong Province in which we operate our business is dominated by a few market players. In Guangdong Province, the top two players in the automatic ID photo service industry, one of which being our Group, represent over 59% of market share, in terms of number of photo booths in operation, as at the end of 2016. Please refer to the section headed "Industry Overview" in this prospectus for further information on the competitive landscape, growth and entry barriers of the automatic ID photo service industry in Hong Kong and in Guangdong Province.

### **RISK FACTORS**

There are risks associated with any investment. Some of the relatively material risks relating to our Group include:

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## SUMMARY

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- if any agreement for the right to use the lessors' premises for operating our ID photo booths is terminated or not renewed, our results of operations and business may be adversely affected;
- we may not be able to profitably operate our business as we are exposed to risks faced by the commercial real estate rental market, including unpredictable and potentially high licensing fees;
- our business and financial performance are dependent on customers' demand of our photo products;
- our expansion plans in Guangdong Province may present risks as we have little operating experience in newly expanded regions and the market we target may have different competitive conditions and consumer preferences from our existing markets. Any inability to execute our expansion plans in those new markets in Guangdong Province could adversely affect our business, growth, financial condition, and results of operation;
- our collaboration with Prestige Technology to introduce the permits application/photo-taking machines for ID documentation issuance in Guangdong Province is still at preliminary stage and thus it may not be successful;
- we relied on the Photo-Me Group to supply most of our photo booths and photo booth consumables during the Track Record Period; and
- we may not be able to keep pace with the rapid technological development to remain competitive in the industry and our operation of photo booths is susceptible to technological irregularities.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in this prospectus, and investors should read the entire section before deciding to invest in the Offer Shares.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Airport”	the airport in Hong Kong
“Application Form(s)”	<b>WHITE</b> and <b>YELLOW</b> application form(s), or where the context so requires, any one of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 8 February 2018 and effective on the Listing Date, as amended, supplemented or otherwise modified from time to time
“Big Star”	Big Star Properties Limited (天星置業有限公司), a company incorporated in Hong Kong on 20 February 1992 with limited liability, which was owned as to 50% by Mr. Timmy Chan and 50% by Ms. AY Ying Ho, respectively as at the Latest Practicable Date
“Board” or “Board of Directors”	the board of directors of our Company
“business day” or “Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 599,000,000 Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in “Statutory and General Information – A. Further Information About Our Group – 3. Written Resolutions of our Shareholders passed on 8 February 2018” in Appendix V in this prospectus
“Causeway Treasure”	Causeway Treasure Holding Limited, a company incorporated in BVI on 24 May 2017 with limited liability and one of our Controlling Shareholders

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## DEFINITIONS

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“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general cleaning participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Max Sight Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 26 January 2017
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules, and in the context of our Company, comprises Mr. Jamson Chan, Mr. Timmy Chan, Ms. AY Ying Ho and Causeway Treasure

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## DEFINITIONS

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“Deed of AIC Confirmation”	a deed of confirmation dated 7 July 2017 executed by Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan, whereby they confirmed, among others, the existence of their acting in concert arrangement, a summary of which is set out in the section headed “Relationship with Controlling Shareholders and Substantial Shareholder” in this prospectus
“Deed of Indemnity”	the deed of indemnity dated 8 February 2018 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each member of our Group) to provide certain indemnities, particulars of which are set out in the section headed “Statutory and General Information – E. Other Information – 2. Tax and Other indemnities” in Appendix V to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 8 February 2018 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each member of our Group), particulars of which are set out in the section headed “Relationship with Controlling Shareholders and Substantial Shareholder – Deed of Non-Competition of Controlling Shareholders” in this prospectus
“Directors” or “our Directors”	the directors of our Company
“EUR”	Euro, the lawful currency of the eurozone
“F&S Report”	the independent industry report commissioned by our Company and prepared by Frost & Sullivan
“Frost & Sullivan”	Frost & Sullivan International Limited, the industry consultant of our Company
“Fullwise”	Fullwise International Limited (富慧國際有限公司), a company incorporated in Hong Kong on 12 March 1999 with limited liability and an indirect wholly-owned subsidiary of our Company
“Financial year”	financial year of our Company ended 31 December
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange

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## DEFINITIONS

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“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or modified from time to time
“Group”, “we”, “our”, “our Group” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guangdong Province”	Guangdong province, the PRC
“Guangzhou”	Guangzhou, Guangdong Province
“GZ Max Sight”	Guangzhou Max Sight Photo-Me Co., Ltd (廣州富美快相有限公司), a wholly foreign-owned enterprise incorporated in the PRC on 1 August 2005 with limited liability and an indirect wholly-owned subsidiary of our Company
“Harvest Company”	Harvest Company Limited, a company incorporated in Samoa on 19 November 1999 with limited liability, which was wholly-owned by Mr. Timmy Chan as at the Latest Practicable Date
“HK\$” or “Hong Kong dollar”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Register”	the branch register of members of our Shares maintained by the Hong Kong Branch Share Registrar in Hong Kong
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited

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## DEFINITIONS

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“Hong Kong Offer Shares”	the 20,000,000 new Shares initially offered by us for subscription under the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Hong Kong Public Offering”	the conditional offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong for cash at the Offer Price as described in the section headed “Structure of the Share Offer” in this prospectus
“ID”	identification
“ID documentation”	a document which can be used to prove a person’s identity
“ID Documentations Issuing Authorities”	including (i) a government-related ID documentations issuing authority in Hong Kong, (ii) PRC permits issuing authorities in Hong Kong and Guangdong Province and (iii) foreign embassies in Hong Kong and Guangzhou which issue ID documentations or travel documentations to applicants
“automatic ID photo booths” or “automatic photo booths”	physical kiosks with installed cameras and/or Validation Technology which allow customers to operate and take digital photos for use in ID documentations, including passports, driving licences and visa applications. For the avoidance of doubt, ID photo booths include Validation Photo Booths
“Independent Third Party(ies)”	person(s) or company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is not or are not connected person(s) of our Company
“IT”	information technology



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## DEFINITIONS

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“Joint Bookrunners” or “Joint Lead Managers”	South China Securities Limited, a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activity under the SFO, and Future Land Resources Securities Limited, a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activity under the SFO, acting as the joint bookrunners, joint lead managers and Underwriters in the Share Offer
“JPY”	Japanese yen, the lawful currency of Japan
“Kwide Foong”	Kwide Foong Limited, a company incorporated in the BVI on 12 February 1999 with limited liability, which was wholly-owned by Harvest Company as at the Latest Practicable Date
“Latest Practicable Date”	5 February 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date expected to be on or around 28 February 2018, on which the Shares are first listed on the Stock Exchange and from which dealings in the Shares are permitted to take place on GEM
“Listing Division”	the listing division of the Stock Exchange
“Master Supply Agreement”	the master supply agreement dated 9 July 2017 (as amended and supplemented by supplemental agreement dated 7 November 2017 and entered into between Photo-Me and our Company) entered into between Photo-Me (for itself and on behalf of its affiliates) as the supplier and our Company (for itself and on behalf of its affiliates) as the customer, particulars of which are set out in the section headed “Connected Transactions” in this prospectus
“Max Sight”	Max Sight Limited (合視有限公司), a company incorporated in Hong Kong on 13 January 1989 with limited liability and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Max Sight (BVI)”	Max Sight (BVI) Limited, a company incorporated in BVI on 27 January 2017 with limited liability and a direct wholly-owned subsidiary of our Company
“Max Sight Holdings”	Max Sight Holdings Limited (名仕控股有限公司), a company incorporated in Hong Kong on 24 February 1989 with limited liability, which was wholly-owned by an Independent Third Party as at the Latest Practicable Date
“Max Sight International”	Max Sight International Limited (名仕快相國際有限公司), a company incorporated in Hong Kong on 21 May 1992 with limited liability and an indirect wholly-owned subsidiary of our Company
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, conditionally adopted on 8 February 2018 and effective from the Listing Date, as amended, supplemented or otherwise modified from time to time
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“Mr. Cheung”	Mr. CHEUNG Kam Ting (張淦庭), our non-executive Director
“Mr. Jamson Chan”	Mr. CHAN Wing Chai, Jamson (陳永濟), our executive Director and chairman of our Board, one of our Controlling Shareholders and the father of Mr. Timmy Chan
“Mr. Timmy Chan”	Mr. CHAN Tien Kay, Timmy (陳天奇), our executive Director and chief executive officer, one of our Controlling Shareholders and the son of Mr. Jamson Chan and Ms. AY Ying Ho
“Ms. AY Ying Ho”	Ms. AU-YEUNG Ying Ho (歐陽映荷), one of our Controlling Shareholders and the mother of Mr. Timmy Chan

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## DEFINITIONS

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“MV Asset”	MV Asset Management Limited, a company incorporated in Hong Kong on 5 June 1998 with limited liability and an indirect wholly-owned subsidiary of our Company
“OEM”	original equipment manufacturing whereby products are manufactured in accordance with the customer’s design and specification and are marketed under the customer’s brand name
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$ 0.35 and expected to be not less than HK\$0.30 at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, such price is expected to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) no later than the Price Determination Date
“Offer Shares”	the Hong Kong Offer Shares and the Placing Shares
“Offer Size Adjustment Option”	the option to be granted by our Company to the Placing Underwriters under the Placing Underwriting Agreement, exercisable by the Joint Bookrunners (for themselves and on behalf of the Underwriters), pursuant to which our Company may be required by the Joint Bookrunners to allot and issue up to 30,000,000 additional new Shares, representing up to 15% of the total number of Offer Shares initially available for subscription under the Share Offer, for cash at the Offer Price, solely to cover any over-allocation in the Placing on or before 28 February 2018, details of which are set out in the section headed “Structure of the Share Offer – Offer Size Adjustment Option” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of PRC
“Photo-Me”	Photo-Me International Plc., a limited liability company incorporated under the laws of the United Kingdom on 14 September 1962, a company listed on the London Stock Exchange (LSE: PHTM), and our Substantial Shareholder

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## DEFINITIONS

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“Photo-Me Deed of Non-Competition”	the deed of non-competition dated 6 July 2017 entered into by Photo-Me (for itself and on behalf of its affiliates) in favour of our Company (for itself and on behalf of other members of our Group), particulars of which are set out in the section headed “Relationship with Controlling Shareholders and Substantial Shareholder – Deed of Non-Competition of Substantial Shareholder” in this prospectus
“Photo-Me Group”	Photo-Me and its subsidiaries
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of our Company for cash at the Offer Price as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	180,000,000 new Shares initially offered by us for subscription under the Placing subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus, together with, where relevant, any additional new Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, subject to the terms and conditions as described in the section “Structure of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners and the Placing Underwriters
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014

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## DEFINITIONS

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“Prestige Technology”	廣州卓騰科技有限公司 (Prestige Technology Company Limited), a company incorporated in the PRC and the business partner of our Group for the development of the permits application/photo-taking machines in Guangdong Province
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date expected to be on or around 23 February 2018, and in any event, not later than Monday, 26 February 2018 on which our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) determine the final Offer Price for the purpose of the Share Offer
“Prontophot Holding AG”	Prontophot Holding AG, a company incorporated in Switzerland with limited liability and liquidated in June 2016. Before its liquidation, Prontophot Holding AG was a wholly-owned subsidiary of Photo-Me since 1998
“Public Offer Underwriter(s)”	the underwriters listed in the sub-section headed “Public Offer Underwriters(s)” in the section headed “Underwriting” in this prospectus, being the underwriter(s) of the Hong Kong Public Offering
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 14 February 2018 relating to the Hong Kong Public Offering and entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters
“R&D”	research and development
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	The State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	The Standing Committee of National People’s Congress (全國人民代表大會常務委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Hong Kong Public Offering and the Placing
“Share Swap Agreement”	a share swap agreement dated 6 July 2017 entered into amongst Mr. Jamson Chan, Mr. Cheung, Mr. Jamson Chan and Ms. AY Ying Ho, Photo-Me, Max Sight Holdings, Big Star, Mr. Timmy Chan and Kwide Foong as vendors and Max Sight (BVI) and Treasure Star (China) as purchasers in respect of the acquisitions of the entire issued share capital of Max Sight, MV Asset and Fullwise by Max Sight (BVI) and the acquisitions of the entire issued share capital of Treasure Star and Max Sight International by Treasure Star (China)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 8 February 2018, a summary of the principal terms of which is set out in “Appendix V – Statutory and General Information – D. Share Option Scheme” of this prospectus
“Shareholder(s)”	holders of Share(s)
“Sole Sponsor” or “South China Capital”	South China Capital Limited, a corporation licensed under the SFO and permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Listing

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## DEFINITIONS

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“sq.ft.”	square feet
“sq.m.”	square metre
“State Council”	The State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Technology Service Provider”	an independent technology service provider in Guangzhou with which we developed our HK Validation Photo Booths
“Track Record Period”	the period comprising the financial years ended 31 December 2015 and 31 December 2016 and the eight months ended 31 August 2017
“Treasure Star”	Treasure Star (China) Limited (寶星(中國)有限公司), a company incorporated in Hong Kong on 17 December 2009 with limited liability and an indirect wholly-owned subsidiary of our Company
“Treasure Star (China)”	Treasure Star (China) Holding Limited, a company incorporated in BVI on 27 January 2017 with limited liability and a direct wholly-owned subsidiary of our Company
“UK”	the United Kingdom
“Underwriter(s)”	the Public Offer Underwriter(s) and the Placing Underwriter(s)
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

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## DEFINITIONS

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“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States
“WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to Apply for the Hong Kong Offer Shares – 3. Applying for Hong Kong Offer Shares” in this prospectus
“YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to Apply for the Hong Kong Offer Shares – 3. Applying for Hong Kong Offer Shares” in this prospectus
“%”	per cent.
“£”	English pounds, the lawful currency of the UK

*In this prospectus, unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder”, “core connected person”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*

*Unless expressly stated or the context requires otherwise:*

- (i) amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items; and*
- (ii) solely for your convenience, this prospectus contains translations of certain RMB into HK\$ as well as JPY and EUR into HK\$ at specified rates. You should not construe these translations as representations that RMB, JPY and EUR could actually be, or have been, converted into HK\$ at the rate indicated or at all. Unless we indicate otherwise, the translations of RMB, JPY and EUR into HK\$ has been made at the following rates:*

RMB1	:	HK\$1.12781
JPY1	:	HK\$0.07351
EUR1	:	HK\$8.73998

*The English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, awards, certificates and titles etc. are translations from their Chinese names and are for identification purposes only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*



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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions or meaning or usage as used by others.*

“HK Validation Photo Booths”	photo booths in Hong Kong with Validation Technology function which are operated by our Group. The HK Validation Photo Booths are situated in proximate locations to the PRC permits issuing authority’s offices in Hong Kong
“permits application/photo-taking machines”	machines which comprise both PRC permits application and ID photo-taking functions in one single machine
“photo booth consumables” or “consumables”	including photographic paper and colour thermal transfer ribbon
“PRC Permit Photos”	photos to be used in Home Visit Permit (港澳居民來往內地通行證), Exit-Entry Permit to Hong Kong and Macau (內地居民往來港澳通行證), PRC ID card (中華人民共和國居民身份證), PRC driving licence (中華人民共和國機動車駕駛證), PRC passport (中華人民共和國護照) and Residence Card of Guangdong Province (廣東省居住證)
“PRC Validation Photo Booths”	photo booths in Guangdong Province with Validation Technology function which are operated by our Group
“Specification Requirements”	photo specification requirements imposed by the relevant authorities which mainly include the following parameters: (i) size and resolution of the photo; (ii) exposure, saturation and brightness of the photo; (iii) positioning of the user’s image and cropping of the captured image including distance between the top of the head with the upper border of the photo and distance between the eye level with the upper border of the photo; (iv) background colour; (v) colour of the user’s clothes; (vi) facial features of the user in the photo including whether the eyes are open and looking forward, whether the head is tilted, the exposure of teeth and ears, and user’s facial expressions; (vii) whether there are inappropriate heavy makeup, hairstyle, accessories (like glasses), gesture and apparel
“Railway”	including railway corporations in Hong Kong and Guangdong Province

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## GLOSSARY OF TECHNICAL TERMS

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“Validation Photo Booths”	HK Validation Photo Booths and PRC Validation Photo Booths
“Validation Technology”	technology adopted, used and installed in our automatic ID photo booths to (i) validate the PRC Permit Photos through both a digital and manual checking procedure to ensure they comply with the Specification Requirements; and (ii) transmit the validated PRC Permit Photos directly to the server of the PRC permits issuing authority in Hong Kong or the authorised agent of the PRC permits issuing authorities in the PRC

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## FORWARD-LOOKING STATEMENTS

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Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to our Group's intentions, beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, you can identify these forward-looking statements by words such as "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "might", "plan", "predict", "seek", "should", "will", "would" or similar expressions or their negatives.

These forward-looking statements include, without limitation, statements relating to:

- our business strategies, implementation plans and use of proceeds;
- our business objectives, development and expectations regarding our future operations, profitability, capital resources and prospects;
- future events and developments, trends and conditions in the regulatory environment, industry and markets in which we operate or plan to operate;
- our ability to identify and successfully take advantage of new business development opportunities; and
- our dividend policy.

Our Directors confirm that these forward-looking statements are made after due and careful consideration. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our Group's control. In addition, these forward-looking statements reflect our Group's current views with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed "Risk Factors" in this prospectus. These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our Group's control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

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## RISK FACTORS

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*An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.*

*The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.*

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business and operation; (ii) risks relating to conducting business in Hong Kong and the PRC; (iii) risks relating to the Share Offer; and (iv) risks relating to statements made in this prospectus.

### **RISKS RELATING TO OUR BUSINESS AND OPERATION**

**If any agreement for the right to use the lessors' premises for operating our ID photo booths is terminated or not renewed, our results of operations and business may be adversely affected**

Our well-established photo booth locations in Hong Kong and Guangdong Province are convenient and readily accessible and this extensive network of photo booths is instrumental to our success in the industry. The retention and renewal of our agreements with the lessors depends on a number of factors, including but not limited to our relationship with the lessors, our historical performance under these agreements and our reputation. The network of our ID photo booths in Hong Kong and Guangdong Province as at 31 December 2017 is set out in the section headed "Business – Network of Our Photo Booths" in this prospectus.

Most of our existing agreements with the lessors have a fixed term ranging from one to approximately six years. Our lessors are generally entitled to terminate the agreements by serving prior written notice on our Group in accordance with the relevant agreements. There is no guarantee that we can continue to operate our ID photo booths in all the existing locations or those locations as set out in this prospectus. For example, we might not be able to secure the locations through tendering process, or that our reputation is negatively impacted by adverse media coverage. Moreover, we cannot assure you that any of our agreements with our lessors will not be early terminated. Even if we manage to renew the agreements with the lessors, there is no assurance that we will be granted the same right on renewal on satisfactory terms, or at all. Further, our agreements with the lessors generally do not provide us exclusive right to operate our ID photo booths in their premises. There is no guarantee that the lessors will not grant similar right to other market players for operation of similar business in their premises, which may divert our customers and decrease our market share.

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## RISK FACTORS

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If we fail to renew our existing agreements with lessors on satisfactory terms and conditions, or obtain new leases for desirable photo booth sites, or if we are unable to effectively expand our photo booth network, our business, results of operation and financial performance may be materially and adversely affected.

**We may not be able to profitably operate our business as we are exposed to risks faced by the commercial real estate rental market, including unpredictable and potentially high licencing fees**

We obtain licence for use of most of the properties on which our ID photo booths operate. Accordingly, licensing fees account for a significant portion of our operating expenses. During the Track Record Period, our licensing fees for the locations of our photo booths amounted to approximately HK\$23.3 million, HK\$21.4 million and HK\$14.1 million, respectively, accounted for approximately 80.8%, 80.5% and 80.3% of our total cost of sales during the respective periods. If the basis of charging the licensing fees changes causing the licensing fees to increase, our results of operation and financial performance may be materially and adversely affected.

Further, as we are required under the relevant agreements with the most of the lessors to share our revenue on a monthly basis with the lessors and all of our customers are fragmental individuals who take photos in our photo booths, there can be no assurance that we will always be able to generate sufficient revenue to offset our operating costs. If we are unable to profitably operate our business, our results of operation and financial performance may be adversely affected.

**Our business and financial performance are dependent on customers' demand of our photo products**

The demand for our products is closely linked to the demand for ID documents application or renewal and our customers may not require our products repeatedly within a short period of time. There may not be adequate or increasing demand for our products depending on the relevant policies and cyclical patterns of ID documents application and renewal, and as a result, we may not be able to install and operate new photo booths in these markets on a timely basis, if at all, and if installed, may be less successful than photo booths in our existing markets. A general decline in the demand of our products could occur. Any decreasing demand of our products could bring material adverse impact to our business, results of operation and financial performance.

**Our expansion plans in Guangdong Province may present risks**

We plan to expand our operation of ID photo booths in Guangdong Province. The details of our expansion plan are set out in the section headed "Statement of Business Objectives and Use of Proceeds" in this prospectus. During the Track Record Period, we operated 66, 66 and 94 ID photo booths in Guangdong Province and the revenue generated from our ID photo booths located in Guangdong Province amounted to approximately 11.4%, 12.1% and 12.2% of our total revenue during the same periods.

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## RISK FACTORS

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While it is expected that there will be sufficient market demand in Guangdong Province, our expansion plans in certain regions in Guangdong Province including Foshan and Dongguan where we have little operating experience, to a certain extent, depends on consumer preference and discretionary spending. Accordingly, the markets in Guangdong Province which we target may have different business environments, competitive conditions and consumer preferences from our existing markets. As a result, any new ID photo booths we operate in those markets may attract less market demand than the photo booths in our existing markets. Customers in the new markets may not be familiar with our brand and we may need to build brand awareness in such markets through greater investments in advertising and promotional activities than we originally planned. We may find it more difficult and costly in new markets to hire, train and retain qualified employees. ID photo booths operating in new markets may also have lower average sales or higher operating costs than photo booths in our existing markets. There is no assurance that we can replicate our market leading position in Hong Kong to Guangdong Province. Any inability to replicate or successfully adapt our business model to local conditions may affect the profitability of these ID photo booths. Any inability to execute our expansion plans in those new markets in Guangdong Province could adversely affect our business, growth, financial condition and results of operation.

In addition, our continual development depends on our ability to successfully implement our business strategies and future plans, which in turn is subject to uncertainties and changing market conditions. Our plans for development and business expansion are formulated based on assumptions on the occurrence of certain future events, which may or may not materialise. There is no guarantee that any of our business strategies will yield the benefits or achieve the level of profitability as our anticipation. Furthermore, our Group may not be able to manage the growth of our business effectively in a controlled manner. Over-expansion may strain our limited managerial, operational and financial resources, which may have a material adverse impact on the stability of our operational and financial conditions.

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**Our capital expenditure in relation to the expansion plans could have an impact on our costs structure and cash flows which could adversely affect our financial condition and results of operation, and that our revenue and profit may not increase proportionally to our expansion**

The implementation plan of our business strategies particularly for the expansion of our network of photo booths in Guangdong Province will involve significant capital outlay, which will require considerable additional financial resources. The average useful lives of our photo booths was approximately ten years and as of the Latest Practicable Date, the average remaining useful lives of our existing photo booths was approximately seven years. As such expansion will be funded by the net proceeds from the Share Offer as well as the internal resources and/or bank borrowings, it will have an impact on the cash flow of our Group. For details, please refer to the section headed “Statement of Business Objectives and Use of Proceeds – Reasons for the Share Offer” in this prospectus. Our photo booths are depreciated on a straight-line basis at the rate of 20% per annum. As at the Latest Practicable Date, approximately 23.4% of the photo booths operated by us were fully depreciated. The costs structure of our Group will also change upon the acquisition of new photo booths as additional depreciation expenses of approximately HK\$0.9 million, HK\$3.3 million and HK\$6.0 million are expected to be incurred for the year ending 31 December 2018, 31 December 2019 and 31 December 2020, respectively. If the expansion plan cannot generate as much revenue as we have planned, the increase in depreciation costs may have a negative impact on our costs structure, adversely affecting our financial condition and results of operation, and that our revenue and profit may not increase proportionally to our expansion.

**Our collaboration with Prestige Technology to introduce the permits application/photo-taking machines for ID documentation issuance in Guangdong Province is still at preliminary stage and thus it may not be successful**

As part of our expansion plans, since 2015, we have started to place our ID photo booths adjacent to the permit application machines operated by Prestige Technology in Guangdong Province, so that the applicants could take ID photos for use in their ID and permits application during the same visit. We have deepened our collaboration with Prestige Technology by entering into an agreement in July 2017 to jointly operate the permits application/photo-taking machines, comprising PRC permits application function and ID photo-taking function in one single machine specific for ID Documentations Issuing Authorities in Guangdong Province. For further details, please refer to the subsection headed “Business – Our Strategies – Replicate the success of our business model in Hong Kong to Guangdong Province”. The introduction of the permits application/photo-taking machines is rather new to the Guangdong market and our collaboration with Prestige Technology regarding the permit application/photo-taking machines is still at its preliminary stage. Such business development involves significant risks and uncertainties, for example, customers’ support of these new photo booths, customers’ demand and technical difficulty in its operation. We cannot guarantee that this collaboration or business development will become profitable or successful at any particular time or at all. If this business development fails to succeed, our business, financial performance, prospects and results of operation may be materially and adversely affected.

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### **We relied on the Photo-Me Group to supply most of our photo booths and photo booth consumables during the Track Record Period**

During the Track Record Period, our Group relied on the Photo-Me Group, our Substantial Shareholder, to supply photo booths and photo booth consumables for our business operation in Hong Kong and Guangdong Province. We also leased photo booths from the Photo-Me Group for our business operation in Guangdong Province for the Track Record Period which have all been replaced with our self-owned photo booths as at the Latest Practicable Date. During the Track Record Period, our aggregate purchases of photo booths and spare parts from the Photo-Me Group amounted to approximately HK\$0.04 million, HK\$1.2 million and HK\$0.4 million, accounting for 1.7%, 100% and 100% of our total photo booth and spare parts purchases, respectively, whilst our purchases of photo booth consumables from the Photo-Me Group amounted to approximately HK\$1.1 million, HK\$1.3 million and HK\$0.6 million, accounting for approximately 84.5%, 88.7% and 83.1% of our total purchase of photo booth consumables, respectively, for the same periods. For details of our purchases from the Photo-Me Group, please refer to the sections headed “Business – Our Photo Booth Vendors and Suppliers” and “Relationship with Controlling Shareholders and Substantial Shareholder – Photo-Me, our Substantial Shareholder” in this prospectus.

While we have established long-term business relationship with the Photo-Me Group for more than 24 years, we cannot assure you that we will be able to maintain favourable business relationships with them in the future which is critical to our business operations. We also entered into the Photo-Me Deed of Non-Competition on 7 July 2017 with Photo-Me, by which Photo-Me undertakes to us, among other things that, it will not, for a period of five years from the date of the Photo-Me Deed of Non-Competition, engage in the business of operating automatic photo booths within Hong Kong, Macau and Guangdong Province. It is possible that the Photo-Me Group may upon the expiry of the Photo-Me Deed of Non-Competition and the Master Supply Agreement, abruptly cease the supply, substantially reduce the quantities supplied to us or significantly increase the price of the photo booths. Given the automatic ID photo booth manufacturing industry is relatively concentrated with the Photo-Me Group, being the single largest market player, dominating more than 50% of the market share globally in 2016, we may not be able to find alternative photo booth vendors to supply photo booths with comparable quality, functions, and standards, at reasonable costs, in a timely manner and on terms and prices better or equivalent to the current arrangement. Despite we found a new supplier in PRC since the end of the Track Record Period up to end of 2017, we may not be able to further diversify our purchases from alternative photo booth vendors, this may have a material adverse impact on our plans to expand our photo booth network and capture new business opportunities.

Similarly, if our photo booth vendors change their business strategies substantially, they could reduce their quantity of supply to or cease business relationship with us, which could in turn materially and adversely affect our business operation and performance.

### **We may not be able to keep pace with the rapid technological development to remain competitive in the industry and our operation of photo booths is susceptible to technological irregularities**

The industry we operate in requires us to meet the Specification Requirements which could change from time to time such that we have to adopt by making timely and cost-effective enhancements and/or adjustments to our ID photo booths. There is no assurance that any of such new technologies are compatible with and can be applied to our existing ID photo booths without incurring significant costs or at all. We may not be able to upgrade or adapt our ID



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photo booths at all times to meet with rapid technological advancement and our photo booths may become outmoded or may not achieve sufficient market acceptance to generate revenue for our Group. Currently though there is no mobile application authorised by any ID Documentation Issuing Authorities which allow digital ID photos to be directly sent or transmitted to the relevant ID Documentation Issuing Authorities in Hong Kong or in the PRC, with the ongoing upgrade of photo taking function and quality by mobile devices, it is not impossible that users may take photos through mobile phone and then print out the photos to apply for visa in certain foreign embassies. Further, it is possible that, with the rapid development of mobile phones and mobile applications, ID Documentation Issuing Authorities in Hong Kong or in the PRC may allow direct transmission of ID photos taken by such gadgets and accept such photos for users to apply for the relevant ID documents in future, which may reduce our competitiveness in the ID photo service market and significantly affect our business and result of operation. Furthermore, as our photo booths operate automatically and some of them are able to automatically transmit ID photos to our server and/or validation centres via the internet, our business operation is susceptible to technological problems, including network interruptions, computer hardware and software failures, malfunction, errors, and power failures or shortages, which may significantly disrupt our business operations.

**We rely on our employees to manually collect the proceeds from the operation of our photo booths**

As at the Latest Practicable Date, the majority of the ID photo booths operated by us only accepted cash payment from our customers. We count on our employees to manually collect the proceeds from photo booths in some locations on a regular basis. There is no assurance that such internal control measures will be as effective as we anticipate in preventing loss of our operation proceeds in the future. We cannot assure you that there will not be any instances of fraud, theft and other misconduct committed by our employees, customers or other third parties in the future. There is no guarantee that we will be able to effectively detect any misconduct to prevent our loss in full or in part. Any misconduct committed may have material adverse effects on our business and results of operation.

**Damage to our reputation could materially and adversely affect our business, financial condition or results of operation.**

We believe that we have built a strong reputation in the automatic photography industry in Hong Kong and Guangdong Province for our operation of the ID photo booths. Any incident that erodes consumer confidence in or affinity of our products, whether or not justified, could significantly reduce their respective values and damage our business reputation. For instance, any negative media coverage, whether or not accurate, over the quality of our products, or an alleged collusion with any PRC permits issuing authorities may adversely affect our customers' confidence in our products as a whole. If our customers are in any way affected by the negative media coverage, our business, financial condition or results of operation may be affected in a material adverse manner.

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**Any leakage or improper use of the ID photos or personal data of our customers may lead to claims or litigations against us**

The process of photo validation involves the transmission of our customers' image files captured by our ID photo booths to our server and validation centres for digital or manual checking, which will subsequently be further transmitted to the server of the PRC permit issuing authority in Hong Kong or the PRC permits issuing authority's authorised agent for storage. While we do not keep any of our customers' ID photos or their personal data after the completion of the validation process, any image file leakage caused by system failures or improper use of our customers' ID photos by our employees or third party computer hackers may expose us to liability under the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and/or Chapter 5 of the General Provisions of the Civil Law of the People's Republic of China (《中華人民共和國民法總則》) which became effective on 1 October 2017. Any legal proceedings may divert the attention and time of our management in their efforts in operating our business, and cause us to incur significant expenses or losses if any judgment is obtained against us. Our reputation may also be materially and adversely affected as a result of such incidents.

**Any malfunction or failure to protect our IT system from external threats may cause financial losses, business disruption or damage to our reputation**

We are dependent on our IT system to transmit the image file captured by the photo booth to our validation centres or the server of the PRC permits issuing authority in Hong Kong and PRC. There is no assurance that our IT system is not exposed to external threats. If, under any external attack or threat, our IT system does not function properly, or if there is any partial or complete failure of our IT system, we may suffer financial loss, business disruption or damage to our reputation, which in turn may adversely affect our business operation and performance.

**We may not be able to secure or retain experienced and competent management personnel**

Our success depends on, to a large extent, the continual efforts of our executive Directors and senior management such as Mr. Jamson Chan, Mr. Timmy Chan, Mr. Wu Siu Tong and Mr. Tam Ka Seng, who have many years of experience in the automatic photography industry. For detailed information of our Directors and Senior management, please refer to the section headed "Directors and Senior Management" in this prospectus.

We are not in a position to guarantee that the employment of these key executives or personnel will continue in the long run. If any of these key executives or personnel cease to be involved in our management in the future and we are unable to find suitable replacements in a timely manner, there could be an adverse impact on our business and results of operation.

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**We recorded a net operating cash outflow for the eight months ended 31 August 2017 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future**

During the Track Record Period, our Group recorded a net operating cash outflow in the amount of approximately HK\$2.1 million for the eight months ended 31 August 2017. See “Financial Information – Liquidity and Capital Resources – Cash flows” in this prospectus for detailed analysis. We cannot guarantee that prospective business activities of our Group and/or other matter beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we face a net operating cash outflow in the future, (i) we may not have sufficient working capital to cover our operating costs and we may have to fund our operating costs by obtaining bank borrowings. There is however no assurance that we will succeed in obtaining bank borrowings at terms favourable to us and we may incur significant finance costs for any such bank borrowings; and (ii) our liquidity may be adversely affected and we may not be able to meet the payment obligations, such as our trade payables. This may materially and adversely affect our business, financial position and results of operations.

**Our Group recorded a loss attributable to owners of our Company for the eight months ended 31 August 2017**

We experienced a loss attributable to owners of our Company of approximately HK\$4.6 million for the eight months ended 31 August 2017 due to non-recurring listing expenses. Excluding the non-recurring listing expenses of approximately HK\$9.8 million incurred, our profit attributable to owners of our Company would be approximately HK\$5.1 million. Please refer to section headed “Financial Information” of this prospectus for further details. There is no assurance that our Group will be able to improve or maintain our financial performance in the future. If our Group cannot maintain or improve our profit level in the future, it may have a material adverse effect on our Group’s business, financial condition and results of operation.

**The trend of our historical financial information may not be indicative of our financial performance in the future**

For the years ended 31 December 2015 and 31 December 2016, our revenue amounted to approximately HK\$49.8 million and HK\$47.5 million respectively, and our profit attributable to owners of the Company remained stable and amounted to approximately HK\$6.0 million for each year ended 31 December 2015 and 2016. For the eight months ended 31 August 2017, our revenue amounted to approximately HK\$31.8 million and our loss attributable to the owners of our Company amounted to approximately HK\$4.6 million. Excluding the non-recurring listing expenses of approximately HK\$9.8 million incurred, our profit attributable to owners of our Company would be approximately HK\$5.1 million. Please refer to the section headed “Financial Information” of this prospectus for further details. Such historical figures for our financial performance are reflective of our past performance only and may not be indicative of our financial performance in the future, and our financial performance will be highly dependent

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on our ability to maintain our right to operate our ID photo booths at our lessors' premises upon renewal of the relevant agreements and to keep pace with the rapid technological advancements, our ability to successfully implement our business plan in Guangdong Province and Hong Kong as well as other factors that are beyond our control. There is no assurance that we would achieve comparable or higher level of financial performance in the future as we achieved during the Track Record Period.

### **Our Group may not be fully indemnified for our losses under our current insurance coverage**

We are exposed to potential losses caused by an array of business disruptions and risks, such as theft and robbery in the course of collecting the cash proceeds from our ID photo booths. Our ID photo booths may also be subject to risks of damage or destruction, whether accidental or intentional by third parties. In light of this, we have purchased various insurance policies, including money-in-transit insurance, property insurance, public liability insurance and insurance for expenses incurred from certain business interruptions and employees' compensation insurance, to transfer the risks of such losses. During the Track Record Period, we incurred expenses for such insurance policies in the amount of approximately HK\$0.13 million, HK\$0.13 million and HK\$0.15 million for insurance policies in Hong Kong, and in PRC, respectively. Please refer to the section headed "Business – Insurance" in this prospectus for further details of our insurance coverage. While our Directors believe that our insurance coverage is consistent with industry norm and is adequate for our operations, the scope and/or amount of our existing policies may not fully compensate for and indemnify us the monetary losses we may suffer in the future. In such event, our cash flow and liquidity may be materially and adversely affected.

### **RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG AND THE PRC**

#### **Our business expansion may be limited by the relatively saturated market in Hong Kong and we may not be able to maintain our current market share**

There is a risk that the automatic photography market in Hong Kong has become or will become saturated or that we cannot secure new locations. There may not be adequate or increasing demand for our products to support further expansion in the number and network of our photo booths in the relatively saturated market in Hong Kong. Therefore, the growth in demand for our products in Hong Kong may be limited, which may have a material adverse impact on our ability to expand the scale of our business and achieve continuous growth in our profitability and financial performance.

While we have established ourselves as a market leader in the automatic photography industry in Hong Kong, we face competition with other photography service providers such as photography studios and the use of smart phones or digital cameras for taking ID photos, which may intensify in the future in light of the changing consumers' preferences and trends. In addition, potential competitors from the PRC and overseas countries may emerge in the market in Hong Kong and enjoy competitive advantages over us, such as more advanced functions and

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capabilities of photo booths, and significantly greater financial, technical and marketing resources. If we fail to compete against such emerging competitors, we may lose our market share. Therefore, there is no assurance that our current business strategies will sustain our competitiveness in the future as the industry landscape changes, particularly in the face of potential intensified competition from other existing or emerging market players. As a result, our business prospects, results of operation and financial condition could be materially and adversely affected.

**Unfavourable changes in the regulatory regime for the automatic photography industry or to the validation process of ID photos in Hong Kong or the PRC may adversely affect our business environment**

As at the Latest Practicable Date, we are not required to obtain any licenses or permits for operating ID photo booths and the application of the Validation Technology in our photo booths in Hong Kong and the PRC. However, the Hong Kong or PRC government may amend current regulations and policies or enact new regulations and policies unfavourably to our business operation in the future. Any change of practice in relation to ID photos such as centralising ID photo-taking for ID documentations application purposes or any imposition of obligations on us to comply with new regulatory requirements may increase our costs of operation and in turn adversely affect our profitability, alternatively, our failure of or delay in timely compliance with any such new obligation or regulations would expose us to unfavorable legal consequences. We cannot give any assurance that we will be able to meet all the new requirements in a timely manner or at all to continue our business and we may be penalized for failure or delay to do so and/or have to suspend our business operation. Any of the above matters could cause material and adverse effect to our business, reputation and financial condition.

**Our operational stability and financial performance may be adversely affected by the state of economic and political conditions in Hong Kong and the PRC**

Our business and financial performance depend on economic and political conditions in Hong Kong and the PRC. Hong Kong is our principal place of business and our total revenue during the Track Record Period was mainly attributable to the Hong Kong market. If there is a downturn in the economy of or political instability in Hong Kong, the overall business sentiment and environment in Hong Kong may be significantly affected, which in turn may have a material adverse impact on our results of operation and financial position. In addition, as an international financial centre, the economy of Hong Kong is susceptible to material fluctuations, volatility, disruptions or downturn of the broader global economic and financial environment, particularly to the developments in the PRC. Any regional, national or global economic recession or stagnation may have a material adverse impact on our financial condition.

Apart from our business operation in Hong Kong, we conduct our business operations in Guangdong Province. As a result, economic developments in the PRC in particular, in Guangdong Province or the larger southern China may have a substantial effect on our financial

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condition, results of operations and growth prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued in the past few years has led to a marked slowdown in the economic growth of the PRC. Any significant slowdown in the PRC economy in particular, in Guangdong Province or the larger southern China may have an adverse effect on our business and operations.

Furthermore, we cannot predict whether changes in the PRC economic, political or social conditions and in the PRC laws, regulations and policies will have a material adverse effect on our business, results of operation, financial condition and prospects. In particular, our ability to successfully expand our business operations in the Guangdong Province depends on a number of factors, some of which may be beyond our control, including:

- political instability or changes in social conditions of the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation; and
- changes in the rate or method of taxation.

Any significant changes in relation to any of these factors may materially and adversely affect our business, financial condition and results of operation.

### **Uncertainties with respect to the PRC legal system could have a material adverse effect on us**

Our business operations in the PRC are governed by the PRC laws. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Additionally, Chinese written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be definitive and as consistent and predictable as in other jurisdictions.

In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that may have a retroactive effect. We may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management

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attention. Furthermore, the PRC is geographically large and divided into various provinces and municipalities and as such, different rules, regulations and policies apply in different provinces. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations.

Furthermore, we may enter into agreements from time to time under the PRC laws in the course of our business operations. Agreements that are governed by the PRC laws may be more difficult to enforce by litigation or arbitral proceedings in the PRC than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

### **Government control over currency conversion and fluctuations in exchange rates may affect the value of your investment and limit our ability to utilise our cash effectively**

Our revenue of our business operations in the PRC are denominated in Renminbi and accounted for approximately 11.4%, 12.1% and 12.2% of our total revenue, respectively, during the Track Record Period. Renminbi is not currently a freely convertible currency. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. In such event, we may not be able to pay dividends in foreign currencies to our Shareholders. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a portion of our future cash flow from operations is likely to be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies.

The exchange rate of RMB against the Hong Kong dollar, US dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC and international political and economic conditions. In July 2005, the Chinese government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Between May 2007 and March 2014, the PRC government further widened the daily band to as high as 2% in order to further improve the managed floating RMB exchange rate regime based on market supply and demand. In

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addition, the PBOC has introduced a series of measures to facilitate the reform of the RMB exchange rate regime, including the introduction of financial derivative products such as currency swaps, and the relaxation on RMB trading by non-financial institutions. Fluctuations in the exchange rates of the RMB may have a material adverse impact on our results of operation, financial condition and profitability.

### **The PRC's legal system is still evolving, and the uncertainties as to the interpretation and enforcement of PRC laws could have a material adverse effect on us**

Certain our business and operations are conducted in the PRC. Therefore, we are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and past court decisions have limited precedential value and are cited for reference only. Since the late 1970s, the PRC government has made significant progress in the development of its laws and regulations governing economic matters, such as trading of securities, shareholder rights, foreign investment, company organisation and governance, commerce, tax, and trade. However, because these laws and regulations are still evolving and because of the limited number of published cases and the non-binding nature of prior court decisions, there exist uncertainties about the interpretation and enforcement of laws and regulations. For this reason, any legal protections available to us under these laws and regulations may be limited and temporary, and any litigation or regulatory enforcement action in the PRC may be protracted and court result in substantial cost and diversion of resources and management attention.

## **RISKS RELATING TO THE SHARE OFFER**

### **Termination of the Public Offer Underwriting Agreement**

Prospective investors should note that the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter(s)) are entitled to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving notice in writing to us upon the occurrence of any of the events set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for termination" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, war, threat of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza.

### **There has been no prior public market for our Shares**

Prior to the Share Offer, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Bookrunners on behalf of the Underwriters and the Offer Price may differ significantly from the market price for our Shares following the Share Offer.

We have applied for listing of and permission to deal in our Shares on the Stock Exchange. However, even if approved, being listed on GEM does not guarantee that an active



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trading market for our Shares will be developed following the Share Offer or that our Shares will always be listed and traded on GEM. There is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares or that the market price of our Shares will not decline below the Offer Price. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which our Shares will be traded.

**The price and trading volume of our Shares may be volatile, which could result in substantial losses for your investment**

The market price and trading volume of our Shares be highly volatile and fluctuate significantly, rapidly and unpredictably as a result of any of the following factors, among other things, some of which are beyond our control:

- variations in our revenue, earnings and cash flows;
- announcements of new investments, strategic alliances or acquisitions;
- fluctuations in market prices of our products;
- changes in securities analysts' analysis of our financial performance;
- concentration of shareholding in the hands of small number of investors;
- addition or departure of our key personnel;
- our involvement in litigation; and
- general economic and stock market conditions in Hong Kong and across the globe.

In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related or proportionate to the performance of the operating performance of companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and as a result investors in our Shares may incur substantial losses.

**Investors of our Shares under the Share Offer may experience immediate dilution if we issue additional Shares in the future to raise funding**

The Offer Price of our Shares is higher than our net tangible assets value per Share immediately prior to the Share Offer. Therefore, subscribers and purchasers of our Shares under the Share Offer will experience an immediate dilution in pro forma net tangible assets value per Share.

In addition, in order to expand our business, we may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new

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acquisitions. If we issue additional Shares or equity-linked securities of our Company in the future other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the existing Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Shares under the Share Offer. If we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

### **The options which may be granted under the Share Option Scheme may result in dilution of our Shares**

We may grant share options to eligible participants under the Share Option Scheme, who may be employees, senior management and Directors. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the Shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Further details of the Share Option Scheme are summarised in the section headed “Appendix V – Statutory and General Information – D. Share Option Scheme” in this prospectus.

### **Future sale or major divestment of Shares by any of our Controlling Shareholder(s) or Substantial Shareholders could adversely affect the market price of our Shares**

The sale of a significant number of Shares by our Controlling Shareholders or Substantial Shareholders in the public market after the Listing, or the perception that such sale may occur, could adversely affect the market price of our Shares. Except as otherwise described in the section headed “Underwriting” in this prospectus and the restrictions set out by the GEM Listing Rules, there is no restriction imposed on our Controlling Shareholders or Substantial Shareholders of our Company to dispose of their shareholdings. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price that the Directors deem appropriate, which in turn limits our ability to raise capital.

### **There can be no assurance that we will declare or distribute any dividend in the future**

For the years ended 31 December 2015 and 2016, dividends of approximately HK\$4.0 million and HK\$4.0 million were declared and paid to the Shareholders. For the eight months ended 31 August 2017, dividends of approximately HK\$17.7 million were declared and approximately HK\$6.9 million were paid to the Shareholders. However, our Group’s historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. As our Company is a holding company, our decision to declare and pay dividends substantially depends on the results of business operations which are principally conducted through our subsidiaries, as well as our financial conditions and other factors deemed relevant. In this regard, our ability to make dividend payments depends upon the receipt of dividends, distributions or advances from our subsidiaries.

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## RISK FACTORS

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In addition, our future declarations of dividends will be at the absolute discretion of our Board. Our ability to declare dividends in relation to our Shares will also depend on our future financial performance, which in turn depends on our success in implementing our business strategy and expansion plans and on financial, competitive, regulatory and other factors, general economic conditions, demand for and prices of our products, and other factors specific to our industry, many of which are beyond our control. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. In any event, there can be no assurance that we will be able to declare or distribute any dividend.

### **RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS**

#### **The interest of our Controlling Shareholders may not always coincide with the interest of our Group and other Shareholders**

Immediately following the Capitalisation Issue and the Share Offer, Causeway Treasure, our Controlling Shareholder will beneficially own an aggregate of 53.45% of the number of Shares in issue (without taking into account Shares, if any, to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme). The interests of the Controlling Shareholders may differ from the interests of the other Shareholders. There is no assurance that the Controlling Shareholders will act in our best interests or that of the minority Shareholders. If there is any conflict of interests between the Controlling Shareholders and the minority shareholders, the Controlling Shareholders may have power to prevent us from proceeding with any proposed transactions at the general meeting which may be beneficial to us and other Shareholders, regardless of the underlying reasons.

#### **Investors may experience difficulties in enforcing their shareholders' rights as the laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located**

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Memorandum of Association, the Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of Cayman Islands law on protection of minority shareholders is set out in Appendix IV to this prospectus.

#### **Investors should not place undue reliance on facts, forecasts, estimates and other statistics in this prospectus relating to the economy and our industry**

Facts, forecasts, estimates and other statistics in this prospectus relating to the economy and the industry in which we operate our business on have been collected from materials from various sources, including the F&S Report. While we have exercised reasonable care in

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## RISK FACTORS

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compiling and reproducing such information and statistics, we cannot assure you nor make any representation as to the accuracy or completeness of such information.

Neither we or any of our respective affiliates or advisers, nor the Underwriters or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts, estimates and statistics while making investment decisions.

**We strongly caution you not to place any reliance on any information contained in press articles or other media regarding the Share Offer**

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Share Offer, press and media coverage regarding us and the Share Offer, such as the profit estimate information and allegations that our Group has monopolised the ID photo service market in Hong Kong after the PRC permits issuing authority in Hong Kong adopted the Specification Requirements on certain types of PRC Permit Photos in 2012. You should rely solely upon the information contained in this prospectus and any formal announcements made by us in Hong Kong in making your investment decision regarding the Share Offer. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any estimates, views or opinions expressed by the press or other media regarding the Share Offer or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in the Share Offer. Prospective investors in the Share Offer are reminded that, in making their decisions as to whether to purchase our Shares, they should rely only on the financial, operational and other information included in this prospectus. By applying to purchase our Shares in the Share Offer, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

**No assurance as to the accuracy of certain statistics and facts contained in this prospectus**

Certain statistics and the related facts set out in this prospectus are derived from various publications or other sources. Such information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their representative directors or any other persons involved in the Share offer and may not be

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## RISK FACTORS

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accurate, complete or up-to-date. Our Directors believe that the sources of the information are appropriate sources for such information and have no reason to believe that such information is false or misleading or that has been omitted would render such information false or misleading.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “might”, “plan”, “predict”, “seek”, “should”, “will”, “would”. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources. Purchasers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

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**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE GEM LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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**WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Our Group entered into the Master Supply Agreement with Photo-Me (for itself and on behalf of its affiliates) on 9 July 2017 (as amended and supplemented by a supplemental agreement dated 7 November 2017), pursuant to which, the Photo-Me Group has agreed to supply photo booths and their respective consumables and spare parts to our Group, effective from the date of the Master Supply Agreement to 31 December 2019.

As Photo-Me is a Substantial Shareholder of the Company which will immediately following the completion of the Capitalisation Issue and the Share Offer control approximately 13.75% of the voting rights in our Company (excluding the Shares which may be issued upon exercise of the Offer Size Adjustment Option and without taking into account any Shares which may be allotted and issued upon any exercise of the options which may be granted under the Share Option Scheme), and hence a connected person of our Company under Rule 20.07(1) of the GEM Listing Rules, the transactions under the Master Supply Agreement which are expected to continue under Chapter 20 of the GEM Listing Rules after the Listing will constitute continuing connected transactions of our Company.

Based on the proposed annual cap amounts for the aggregate transaction amounts as contemplated under the Master Supply Agreement, as each of the applicable percentage ratios under the GEM Listing Rules is more than 5% but less than 25% and its annual consideration will be less than HK\$10 million, the continuing connected transactions contemplated under the Master Supply Agreement will be subject to reporting, announcement and annual review requirements, but exempt from the circular and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Chapter 20 of the GEM Listing Rules. For further details, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected transactions – Master Supply Agreement" in this prospectus.

**WAIVER IN RELATION TO RULES 7.03(1) AND 11.10 OF THE GEM LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

According to Rule 7.03(1) of the GEM Listing Rules, the Accountants' Report contained in this prospectus must include, inter alia, the consolidated results of our Company in respect of each of the two financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange. Rule 11.10 of the GEM Listing Rules also requires our Company to have an accountants' report prepared in accordance with Chapter 7 of the GEM Listing Rules, covering at least the two financial years immediately preceding the issue of this prospectus.

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**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE GEM LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report by our auditor with respect to profits and losses and assets and liabilities of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus.

According to section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), all reference to "3 preceding years", "3 financial years" and "3 years" in paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are substituted by a reference to "2 preceding years", "2 financial years" and "2 years", respectively, for this prospectus, which is issued in relation to an application for the listing of securities on GEM.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report for each of the two years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017 has been prepared and is set out in Appendix I to this prospectus.

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**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE  
GEM LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE  
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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Pursuant to the relevant requirements set forth above, our Company is required to produce two full years of audited accounts for the years ended 31 December 2016 and 2017. An application was made to the Stock Exchange for a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules, and such waiver was granted by the Stock Exchange on the conditions that:

- (a) this prospectus be issued on or before 15 February 2018 and our Company be listed on the Stock Exchange on or before 28 February 2018;
- (b) this prospectus contains loss estimate for the year ended 31 December 2017 (in compliance with Rules 14.29 to 14.31 of the GEM Listing Rules) and our Directors' statement that after performing all due diligence work which they consider appropriate, there is no material and adverse change to our financial and trading positions or prospects, with specific reference to our trading results from 31 August 2017 to 31 December 2017; and
- (c) our Company obtains a certificate of exemption from the SFC on strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption are set out in this prospectus; (ii) this prospectus will be issued on or before 15 February 2018; and (iii) the Company's Shares will be listed on the Stock Exchange on or before 28 February 2018 (i.e. within two months after the latest financial year end).

The applications to Stock Exchange for a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the investing public as:

- (a) there would not be sufficient time for our Company and the Reporting Accountants to finalize the audited financial statements for the year ended 31 December 2017 for inclusion in this prospectus. If the financial information for the year ended 31 December 2017 is required to be audited, our Company and the Reporting Accountants would have to carry out substantial work to prepare, update and finalize the Accountants' Report and this prospectus, and the relevant sections of this prospectus will need to be updated to cover such additional period;



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**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE GEM LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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- (b) our Directors and the Sole Sponsor herein confirm that after performing all due diligence work which they consider appropriate, there has been no material adverse change to our financial and trading positions or prospects since 31 August 2017 (immediately following the date of the latest audited statement of financial position in the Accountants' Report set out in Appendix I to this prospectus) to the date of this prospectus and there has been no event which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus, the loss estimate for the year ended 31 December 2017 and the section headed "Financial Information" in this prospectus and other parts of this prospectus; and
- (c) our Company is of the view that the Accountants' Report covering the two years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, together with the unaudited supplementary financial information and the loss estimate for the year ended 31 December 2017 (in compliance with Rules 14.28 to 14.31 of the GEM Listing Rules) included in this prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Sole Sponsor confirm that all information which is necessary for the investing public to make an informed assessment of our business, assets and liabilities, financial position, trading position, management and prospects has been included in this prospectus. Further, our Company will comply with Rules 18.03 and 18.49 of the GEM Listing Rules in respect of the publication of annual results and annual report for the year ended 31 December 2017. Therefore, the waiver and exemption would not prejudice the interests of the investing public.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and (iii) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms, on the terms and subject to the conditions set out herein. No person in connection with the Share Offer is authorised to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus sets out the terms and conditions of the Share Offer. This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreements). Please refer to the section headed "Underwriting" in this prospectus for further information about the Underwriters and the underwriting arrangements.

### **RESTRICTIONS ON SUBSCRIPTION OF THE OFFER SHARES**

Each person acquiring the Offer Shares will be required to confirm or by his/her/its acquisition of the Offer Shares will be deemed to confirm that he/she/it is aware of the restrictions on the subscription of the Offer Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a public offering of the Offer Shares or the general distribution of this prospectus and the Application Forms. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the public offering of the Offer Shares in any jurisdiction other than Hong Kong or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer.

### **STRUCTURE OF THE SHARE OFFER**

Please refer to the section headed “Structure of the Share Offer” in this prospectus for further details of the structure of the Share Offer.

### **APPLICATION FOR LISTING ON GEM**

Our Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be issued pursuant to the Offer Size Adjustment Option and the exercise of any option which may be granted under the Share Option Scheme) and as otherwise described herein on GEM.

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed in the paragraph above, no such listing or permission to deal is being or proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void. Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total number of issued shares of our Company in the hands of the public (as defined in the GEM Listing Rules). A total of 200,000,000 Offer Shares, representing 25% of the enlarged

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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total number of issued shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account any options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are not sure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional advisers.

### **HONG KONG SHARE REGISTER AND STAMP DUTY**

All Shares issued by us pursuant to applications made in the Share Offer will be registered on our register of members to be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands.

The Shares are freely transferable. Only securities registered on the Hong Kong Branch Register may be traded on GEM unless the Stock Exchange otherwise agrees. All the Offer Shares will be registered on the Hong Kong Branch Register. Dealings in the Shares registered on our Hong Kong Branch Register will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Hong Kong Branch Register, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles of Association.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Share Offer are recommended to consult with their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, the Directors, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations of certain RMB, JPY and EUR amounts into HK\$ at a specified rate. Unless we indicate otherwise, the translations of the above currencies into HK\$ and vice versa have been made at the following rates:

RMB1	:	HK\$1.12781
JPY1	:	HK\$0.07351
EUR1	:	HK\$8.73998

No representation is made that any amount in RMB, JPY, EUR or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

### **LANGUAGE**

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

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amount may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Address	Nationality
<b>Executive Directors</b>		
Mr. CHAN Wing Chai, Jamson (陳永濟)	House 18, The Villa Horizon 8 Silver Stream Path Silverstrand Sai Kung New Territories Hong Kong	Chinese
Mr. CHAN Tien Kay, Timmy (陳天奇)	House 18, The Villa Horizon 8 Silver Stream Path Silverstrand Sai Kung New Territories Hong Kong	British
Mr. WU Siu Tong (胡兆棠)	Flat B, 12/F, Tower 1 Sky Horizon 35 Cloud View Road North Point Hong Kong	Chinese
<b>Non-executive Directors</b>		
Mr. CHEUNG Kam Ting (張淦庭)	House 5, Casa Loma 11 Silver Cape Road Silverstrand Sai Kung New Territories Hong Kong	Chinese
Mr. Riccardo COSTI	C. Condesa de Venadito 14 P14 B Madrid Spain	Italian

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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Name	Address	Nationality
<b>Independent non-executive Directors</b>		
Mr. NGAI James (倪雅各)	Flat 2, 2/F, Block A Park View Court 1 Lyttelton Road Hong Kong	Chinese
Mr. HUI Chi Kwan (許次鈞)	Flat A, 17/F, Seaview Garden 31 Cloud View Road Hong Kong	Chinese
Mr. KWOK Tsun Wa (郭振華)	Flat 3, 2/F, Block A Jardine's Lookout Garden Mans 148 Tai Hang Road Hong Kong	Chinese

Please refer to the section headed "Directors and Senior Management" in this prospectus for more information on our Directors and members of senior management.

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

**South China Capital Limited**  
28/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

#### Joint Bookrunners and Joint Lead Managers

**South China Securities Limited**  
28/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**Future Land Resources Securities  
Limited**  
6/F, Winbase Centre  
208 Queen's Road Central  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### Legal Advisers to our Company

*As to Hong Kong law*

**Deacons**

5/F, Alexandra House  
18 Chater Road  
Central  
Hong Kong

*As to the Cayman Islands law*

**Conyers Dill & Pearman**

Cricket Square  
Hutchins Drive  
Po Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*As to PRC law*

**GFE Law Office**

Units 3409-3412, Guangzhou  
CTF Finance Center, No. 6  
Zhujiang Road East  
Zhujiang New Town  
Guangzhou, PRC

### Legal Advisers to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters

*As to Hong Kong law*

**Chiu & Partners**

40/F, Jardine House  
1 Connaught Place  
Hong Kong

*As to PRC Law*

**Zhong Lun Law Firm**

23/F, R&F Center  
10 Huaxia Road  
Tianhe District  
Guangzhou, 510623  
PRC

### Receiving Bank

Standard Chartered Bank (Hong Kong)  
Limited

### Auditors and Reporting Accountants

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

### Industry Consultant

**Frost & Sullivan International Limited**

1706, One Exchange Square  
8 Connaught Place  
Central, Hong Kong



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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	14th Floor, McDonald's Building 48 Yee Wo Street Causeway Bay Hong Kong
<b>Company website</b>	<a href="http://www.maxsightgroup.com">www.maxsightgroup.com</a>
<b>Company secretary</b>	Ley Yee Chung, Danny CPA
<b>Authorised representatives</b>	Chan Tien Kay, Timmy House 18, The Villa Horizon 8 Silver Stream Path Silverstrand Sai Kung New Territories Hong Kong  Wu Siu Tong Flat B, 12/F, Tower 1 Sky Horizon 35 Cloud View Road North Point Hong Kong  Chan Wing Chai, Jamson ( <i>as alternate authorised representative</i> ) House 18, The Villa Horizon 8 Silver Stream Path Silverstrand Sai Kung New Territories Hong Kong

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## CORPORATE INFORMATION

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<b>Compliance officer</b>	Chan Tien Kay, Timmy House 18, The Villa Horizon 8 Silver Stream Path Silverstrand Sai Kung New Territories Hong Kong
<b>Audit committee</b>	Ngai James ( <i>Chairman</i> ) Hui Chi Kwan Kwok Tsun Wa
<b>Remuneration committee</b>	Ngai James ( <i>Chairman</i> ) Hui Chi Kwan Chan Tien Kay, Timmy
<b>Nomination committee</b>	Chan Wing Chai, Jamson ( <i>Chairman</i> ) Ngai James Kwok Tsun Wa
<b>Compliance adviser</b>	Octal Capital Limited
<b>Principal share registrar</b>	Conyers Trust Company (Cayman) Limited
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## INDUSTRY OVERVIEW

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*Certain information and statistics set out in this section and elsewhere in this prospectus relating to the ID photo service industry in Hong Kong and the PRC are derived from various government and other publicly available sources, and from the market research report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us (the “F&S Report”). The information extracted from the F&S Report should not be considered as a basis for investments in the Offer Shares or as the opinion of Frost & Sullivan as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers, employees, advisers, agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics.*

### SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct comprehensive research, analyse and report on the ID photo service industry in the PRC and Hong Kong for a total fee of HK\$420,000 which we believe reflect market rate. The F&S Report was completed in July 2017 and all statistics referred therein are based on information available at the time of reporting.

Established in 1961, Frost & Sullivan is an independent global consulting firm dedicated to and experienced in conducting industry research and providing consultancy services including market strategies and corporate training. In arriving at the qualitative and quantitative analysis contained in the F&S Report, Frost & Sullivan has conducted both primary and secondary research on the ID photo service industry in the PRC and Hong Kong. Primary research involved interviewing and engaging leading industry participants and industry experts in collecting their views on the industry landscape, market trend and forecast. Secondary research was conducted by reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database. The market projection figures were obtained from reviewing and analysing historical data plotted against macroeconomic data, and taking industry-specific drivers into account.

In compiling and preparing the F&S Report, Frost & Sullivan assumed that (i) China and Hong Kong’s economy is likely to maintain steady growth in the next decade, (ii) China and Hong Kong’s social, economic, and political environment is likely to remain stable in the forecast period and (iii) key industry drivers are likely to continue to affect the market over the forecast period. For the projection of total market size, Frost & Sullivan plotted available historical data against macroeconomic data as well as data with respect to related industry drivers.

Our Directors confirm that, after making reasonable enquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the F&S Report which may qualify, contradict, misrepresent or otherwise have an adverse impact on the accuracy and completeness of the information in this section in material respects.

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## INDUSTRY OVERVIEW

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### OVERVIEW OF THE ID PHOTO SERVICE MARKET

ID photos refer to photos with standard size that are used for applications for various identity documents and certification. ID photos can generally be divided into four categories according to their usage:

Categories	Examples
ID photos for travel documents	Photos used for the application for passports and travelling visas, etc.
ID photos for ID documents	Photos used for the application for ID cards, social security cards, driving licenses, etc.
ID photos for certification documents	Photos used for the application for marriage or divorce certificates, graduation certificates, residence permits and other kinds of official certification documents.
ID photos for other applications	Photos for other kinds of applications including photos for staff cards, resume, membership cards, student cards, etc.

### HONG KONG'S ID PHOTO SERVICE MARKET

#### History and Recent Trends

With the stable growth of population and the continuing technological upgrade of ID documents, the demand for ID photo service in Hong Kong has kept increasing in the past few years. The revenue of ID photo service in Hong Kong rose from approximately HK\$84.6 million in 2012 to approximately HK\$96.3 million in 2016, at a CAGR of approximately 3.3%. Given that Hong Kong's population is expected to sustain a stable growth and the upgrading of ID documents would continue, the demand for ID photos in Hong Kong is expected to be further stimulated. According to the F&S Report, revenue of ID photo service in Hong Kong will reach approximately HK\$110.6 million in 2021, representing a CAGR of approximately 2.8% during 2017 to 2021.

#### Service Models

Similar to China, Hong Kong's ID photo service market has two business models: automatic photo booth service and traditional photo studio. In 2012, the revenue of the business of automatic photo booths took a share of approximately 42.0% in the Hong Kong ID photo service market while that of traditional photo studios took up the remaining approximately 58.0%.

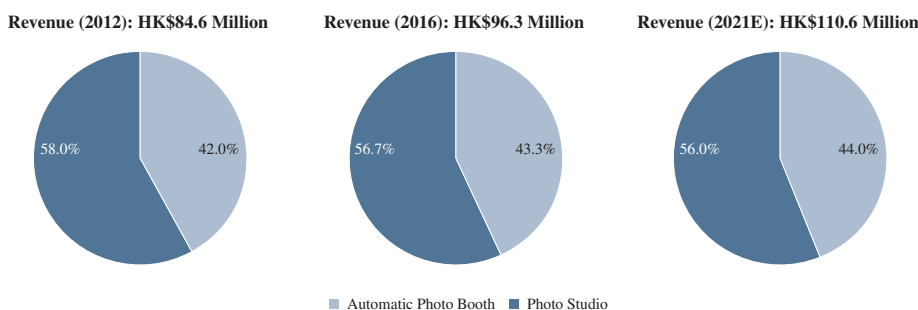
With continual automation and upgrading of ID photo service in Hong Kong, the revenue of automatic photo booth service has enjoyed steady growth in recent years. In 2016, the revenue generated by automatic ID photo booths took shares of approximately 43.3% of the ID photo service market of Hong Kong. It is expected that the introduction of Validation Technology and evolving standards of ID photos would further impel the growth of automatic photo booth market, which is forecasted to take a share of approximately 44.0% in the Hong Kong ID photo service market in 2021.

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## INDUSTRY OVERVIEW

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### Revenue of ID Photo Service in Hong Kong, 2012, 2016, 2021E



Source: F&S Report

### Market Driver Analysis of ID Photo Service Market in Hong Kong

There are three main drivers behind the ID photo service market in Hong Kong:

*Supportive Policies of Population Growth:* The Hong Kong government has been launching initiatives to stimulate population growth, which would give an impetus to drive up the needs for ID photos.

*Introduction of New Generation Home Return Permit:* In 2013, a new generation of home return permit with enhanced security features and an embedded biometric chip was introduced in Hong Kong. In late 2012, the ID photos for the Home Return Permit (including the new Home Return Permits) are required to be validated to satisfy Specification Requirements and such arrangement presents new business opportunities to the Group as it operates photo booths with Validation Technology in Hong Kong. The introduction of new security features and chip-architecture technology would also speed up the development and popularity of the smart ID photos for various applications.

*Boom in Cross-border Movement Underpinned by Seamless Regional Transportation System:* The Hong Kong government, by launching the Talent Admission Schemes, is attracting talents from outside. Moreover, the relaxation of the travel policies, such as Individual Visit Scheme and multiple-entry permit, further facilitate the interflow of people between Hong Kong and China. In the near future, the Guangzhou-Shenzhen-Hong Kong Express Rail Link Hong Kong Section (XRL HK Section) would facilitate travel across the Mainland-Hong Kong border. As the cross-border movement of people is expected to be on the rise, it is expected that the demand for ID photos would rise as well.

### New Opportunities

*Declining Price of Automatic Photo Booths:* Expanding production capacity and accelerated technological advancement in automatic photo booths lower the costs of automating photo taking. Further, it is getting less costly for the ID photo booth operators to procure automatic ID photo booths, which is likely to expedite the process of ID photo service automation and increase the profit margin.

*Changing Requirements on ID Photos:* The ID photo service providers who are able to keep pace with the market changes in terms of technology, especially the pioneers such as our Group, would benefit from the impetus in the future because customers will need to take new ID photos for new ID documents.

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## INDUSTRY OVERVIEW

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### Market Challenges

*Rising Rent and Labour Costs:* In recent years, the labour costs and rent of retail stores have been increasing. It is not uncommon for the companies to face surging rent in contract renewal and difficulty in hiring experienced staff. The rising rent and labour cost would hinder the further growth of the ID photo service market in Hong Kong.

### Entry Barriers

*Brand Reputation and Industry Expertise:* The market players of ID photo service rely on word of mouth for more business. It is difficult for new entrants to compete with the companies with sound business reputation and a loyal client base as brand awareness and industry expertise are the keys to competing for customers. Further, it is difficult for new market players to compete with sophisticated ID photo service providers who have experience to offer reliable service to satisfy Specification Requirements of various ID photos.

*Capital and limited credible suppliers of automatic photo booths:* Investment, from procurement and maintenance of photography equipment to R&D, is required to set up the business. Such investment costs increase with the expansion of scale of the business when more photo booths are required and more rental expenses are incurred. Further, in the Hong Kong market, it takes considerable efforts for new entrants to establish stable relationship with credible photo booth manufacturers.

*Branch Networks:* The extensive branch networks ensure easy access to the photo-taking service. Without the support of the physical store networks, the new market entrants may find it hard to promote the service and establish customer base.

### Competitive Landscape of Hong Kong's ID Photo Service Industry

#### Competition Overview

The market, in general, shows consolidation of landscape of the two segments, namely traditional photo studio and automatic ID photo booth service. It used to be that the automatic ID photo booth service was mainly designed to serve the customers who only took ID photos without any add-on services. On the other hand, photo studios are providing comprehensive services, including online printing and digital imaging service. However, with Validation Technology wired in the automatic photo booths, automatic ID photo booths may now serve functions which used to be provided only by photo studios. This may, in a long run, cause two business models to consolidate.

As a leading player in the ID photo service market, we have already gained the recognition of the major target customer groups and developed extensive service networks through the setting up of automatic ID photo service in extensive locations. With the changing requirements of the ID photos and the development of Validation Technology, it is expected that the advantages of the automatic ID photo service equipped with advanced Validation Technology will capture increasing market share in the future.

#### Competitive Landscape of ID Photo Service in Hong Kong

Of the two segments of the Hong Kong ID photo service market, automatic ID photo booth service segment and traditional photo studio segment held a market share of 43.3% and 56.7% in terms of revenue in 2016 respectively. In the automatic ID photo booth service segment, our Group is the largest and the only player in this segment with 43.3% share of the Hong Kong ID photo service market in terms of revenue in 2016; and in the traditional photo studio segment, an operator C (“**Operator C**”) was the largest player in this segment with 11.6% share of the Hong Kong ID photo service market in terms of revenue in 2016. Other than Operator C and us, the rest of the market is made up of a large number of studios which are smaller in scales.

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## INDUSTRY OVERVIEW

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### *Competitive Landscape of Automatic ID Photo Booth Operators in Hong Kong*

According to the F&S Report, our Group is the pioneer in introducing automatic ID photo booths with Validation Technology in Hong Kong. According to the F&S Report, in Hong Kong, Validation Technology is only available in automatic ID photo booths. By the end of 2016, our Group was the leading and the only automatic ID photo booth operator in Hong Kong. Accordingly, no other ID photo booths or photography service providers in Hong Kong currently provide photography services with technology similar to our Validation Technology. Given the entry barriers explained above, it is expected that our Group will remain a leading automatic ID photo booth operator in Hong Kong.

### **CHINA'S ID PHOTO SERVICE MARKET**

#### **Recent Economic Development in China**

Over the past years, the steady growth of China's economy has resulted in rapid growth in its service sector. China's service industry added value has increased from approximately RMB24.5 trillion in 2012 to approximately RMB38.4 trillion in 2016 with a CAGR of approximately 11.9%. Service industry has made a significant contribution to the growth in gross domestic product ("GDP") in China, which increased from approximately 45.3% in 2012 to approximately 51.6% in 2016. It is expected that China's service industry's contribution to GDP growth will keep increasing, hitting approximately RMB62.0 trillion and 57.0% contribution to China's GDP in 2021, respectively.

#### **History and Recent Trends**

Prior to 1960's, residents in mainland China rarely took ID photos as there was virtually no demand for ID photos for personal identification. After 1960s, along with the continuous modernisation of the PRC government institutions, more identity documents and certifications in China require ID photos for personal identification, and therefore standards for ID photos were established from then on.

With economic growth and increasing disposable income of residents in China, the demand for personal identification and travel documents and hence demand for ID photos kept increasing in recent years. The revenue of ID photo service in China rose from approximately RMB3.8 billion in 2012 to approximately RMB6.0 billion in 2016, at a CAGR of approximately 12.1%. As China's economy and household income are expected to sustain healthy growth, consumers' living standard is also expected to be improved, which will raise the volume of outbound tourism and applications for travel documents. Thus, the demand for ID photo service is expected to be further stimulated, which will drive the revenue of ID photo service in China to arrive at approximately RMB7.0 billion in 2017 and RMB11.7 billion in 2021, representing a CAGR of approximately 13.7% during 2017 to 2021.

#### **Service Models**

ID photo service in China is generally provided by automatic photo booths and traditional photo studios. An automatic photo booth is a self-operated photo machine, which customers can take ID photos by themselves. An automatic photo booth has multiple functions such as background changing and contrast ratio adjustments. Traditional photo studio, on the other hand, is a professional photography solution service provider with a group of specialised photographers. Photo studios can provide value-added photography service, including on-site facial makeup and photo retouching.

Automatic photo booth business, as an emerging business model in the ID photo service market, showed a rapid growth in China with a CAGR of approximately 44.4% from 2012 to 2016, whilst revenue for traditional photo studio was growing at a CAGR of approximately 11.1% from 2012 to 2016. The business of automatic photo booths also showed a rapid growth in Guangdong Province with a CAGR of approximately 45.4% from 2012 to 2016.

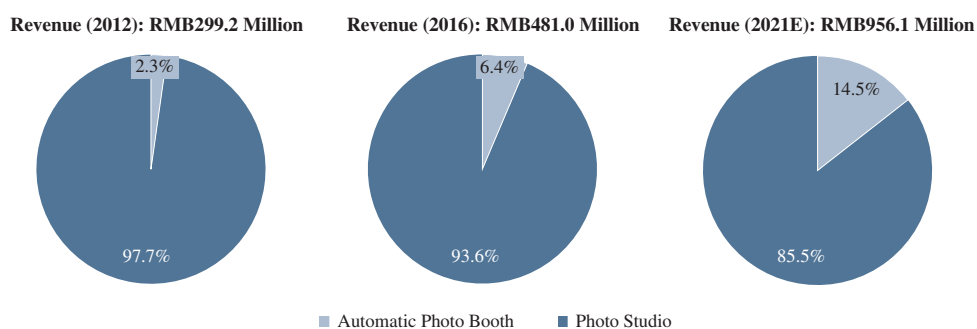
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## INDUSTRY OVERVIEW

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In the foreseeable future, both business models are expected to maintain substantial growth underpinned by increasing demand for ID photos. In particular, along with the convenience and improving market perception of automatic photo booths, the revenue of ID photo service market generated by automatic photo booths is estimated to be further increased. By 2021, it is forecasted that the market penetration of automatic photo booths in the ID photo service market in Guangdong Province in terms of revenue will reach approximately 14.5% such that the revenue of ID photo service market generated by the business of automatic photo booths is anticipated to increase from approximately RMB30.8 million in 2016 to RMB138.6 million in 2021 at a CAGR of approximately 35.1% from 2016 to 2021. And the CAGR of the automatic ID photo booths service market for permits application in the Guangdong Province is estimated to be approximately 36.6% from 2016 to 2021.

### Revenue of ID Photo Service in Guangdong Province, 2012, 2016, 2021E



Source: F&S Report

### Market Driver Analysis of the ID Photo Service Market in China

It is expected that the ID photo service market in China will continue to be driven by the following factors:

*Continuing Urban Population Growth:* China's urban population increased from approximately 711.8 million in 2012 to approximately 793.0 million in 2016, representing an increase of urbanization rate from approximately 52.6% to approximately 57.3%. With the recent implementation of the two child policy, the rate of population growth in China is estimated to accelerate in the coming few decades. Along with China's continuous urbanisation, urban population is expected to grow as well, which will, in turn, stimulate more demand for ID photo service and fuel the growth of ID photo service market.

*Increasing Number of Outbound Travel of Chinese People:* In 2016, over 40% of the demand for ID photo service in China was derived from the applications for travel documents such as tourist visas and passports. From 2017 to 2021, the number of outbound tourists in China is expected to increase from approximately 136.4 million to approximately 191.1 million with a CAGR of approximately 8.8%. In Guangdong Province, the number of outbound tourists is expected to increase from approximately 96.9 million in 2017 to approximately 122.3 million in 2021, representing a CAGR of approximately 6.0%. The increasing trend of outbound tourism in China and Guangdong Province is anticipated to drive the demand for ID photos of travelling documents application.



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## INDUSTRY OVERVIEW

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*Increasing Number of Driving License Holders and Motor Vehicle Consumption:* According to the statistics released by Ministry of Public Security, the numbers of driving license holders in China and Guangdong Province were approximately 360 million and approximately 30.8 million, respectively in 2016 with a CAGR of approximately 9.3% and approximately 7.1%, respectively from 2012 to 2016. It is estimated that the numbers of driving license holders are likely to hit approximately 544.4 million in China and approximately 43.6 million in Guangdong Province in 2021, with a CAGR of approximately 8.7% and 7.5%, respectively from 2017 to 2021.

According to the China Association of Automobile Manufacturers, the motor vehicle sales in China increased from approximately 193.1 million units in 2012 to 280.3 million units in 2016 with a CAGR of approximately 9.8%. Increasing number of driving license holders and motor vehicle consumption in China is expected to bring up the demand for ID photo for driving license applications and thus boost the development of China's ID photo service market.

*Technology Innovation of Automatic Photo Booth:* Currently, most automatic photo booths in China are able to capture ID photos with specified sizes and background colors for various purposes. However, most automatic photo booths cannot detect the defects of photo-takers' facial expression such as blink, head-tilt or reflections of reflective lenses. With further development of innovative technologies such as automatic facial recognition and motion capture, automatic photo booths are expected to be equipped with more intelligent upgrades and drive the market penetration of automatic photo booth service in China.

### **New Opportunities**

*Permission to use Electronic Photos:* It is expected that online applications for certain ID documents will be available in the near future because of changes in regulations and government policies. Automatic ID photo booths which directly transmit electronic ID photos to the relevant institutions will facilitate the photo submission process. This is expected to increase demand for automatic ID photo booth service.

*Promotion of Integrated E-government Machine (政務服務一體機):* According to the Guidelines for Developing the Technical System for "Internet Plus Government Affairs Service" (國務院辦公廳關於印發“互聯網+政務服務”技術體系建設指南的通知) issued by the State Council in 2016, the integration of processing and application of government affairs such as personal certification application is expected to be the mega trend in the future. The integrated E-government machines are likely to be widely introduced at certain government branches to facilitate the processing of government affairs for the public. The promotion of integrated E-government machines is also expected to bring more business opportunities to those automatic ID photo booth operators as the functional module of automatic ID photo booths can be integrated into the E-government machines.

*Expansion of Urban Rail Transportation Network:* Along with the further urban development and infrastructure construction in Guangdong Province, more rail transportation lines are planned to be built in the near future. According to the developing plan of subway system in Guangdong Province, it is expected that by 2020, subway systems in Guangzhou, Shenzhen, Foshan and Dongguan will be expanded and Huizhou and Zhongshan will build up new subway systems, making the total number of rail transportation lines and stations reach around 72 and 1,200, respectively, in Guangdong Province. The expansion of urban rail transportation network in Guangdong Province is expected to bring more business opportunities for automatic ID photo booth operators and thereby drive the further development of automatic ID photo booth market in Guangdong Province.

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## INDUSTRY OVERVIEW

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In light of the foregoing, it is forecasted that the total number of available sites including but not limited to, ID documentations issuing authorities such as vehicle administration offices, exit and entry administration offices, police stations and community service centres; new stations set up pursuant to the expansion of urban rail transportation network; driving schools; hospitals and civil affairs administration offices where automatic ID photo booth could be placed in Guangdong Province will exceed 6,700 by 2021. The abovementioned sites are the places where PRC residents will need ID photos for the application of various ID documents or certifications. Police stations usually offer services such as application of PRC resident ID cards and residence permits; community service centre and civil affairs administration offices usually provide services such as application for social security card and marriage certificate; hospitals are densely-populated locations where patients' photos are required on the medical examination reports and/or other application forms; and driving schools usually provide services such as application for driving licences.

In 2016, demand for ID photo service for PRC resident ID cards and Residence Cards in the PRC was approximately RMB1.3 billion and RMB200.0 million, respectively, and the demand for ID photo service for PRC resident ID cards and Residence Cards in the Guangdong Province was approximately RMB110.0 million and RMB80.0 million, respectively, during the same period.

### Market Challenges

*Increasing Number of Visa-free Countries for PRC Passport:* Along with the strong global economic pressure and increasing national power of China, there is a growing trend of foreign countries granting visa-free access to PRC passport holders in recent years. From 2012 to 2016, the number of visa-free countries for PRC passport increased from 41 to 50. Such increase in visa-free countries for PRC passports will lower the demand for visa applications and, therefore, pose a threat to the ID photo service market.

### Entry Barriers

*Operating Experience:* Customers who seek automatic photo booth service generally focus on convenience and efficiency. It can be difficult for new entrants to offer competitive service as they may not be able to find operating locations with high footfalls, such as subway stations or other public spaces, at reasonable cost during the first few years of operation. Moreover, it takes considerable time for new entrants to catch up with the experienced service providers who can normally produce reliable ID photos to satisfy the Specification Requirements of such ID photos.

*Capital:* For new entrants providing automatic photo booth service, abundant financial resources are required for investing, installing and maintaining a large number of automatic photo booths.

*Limited Supply of Credible Photo Booths:* Currently, there are only a few credible suppliers and photo booth vendors which sell automatic photo booths in the market. It is difficult for the new entrants to set up stable business relationship with those reliable photo booth suppliers.

### Competitive Landscape of China's ID Photo Service Industry

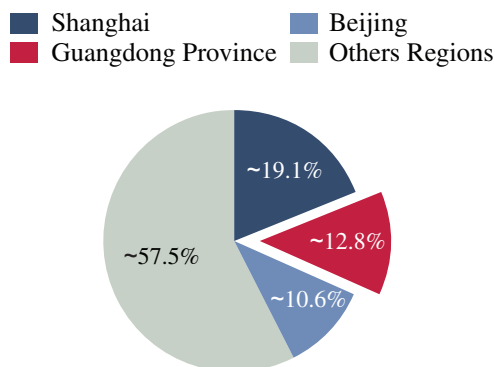
China's ID photo service market has two main types of service providers: traditional photo studios and automatic photo booth operators. As of 2016 there were over 200,000 ID photo studios across mainland China, in which tier 1 cities (refers to Beijing, Shanghai, Guangzhou and Shenzhen) and tier 2 cities (refers to all the provincial capitals in the PRC) take up approximately 60% of the ID photo studios in China. On the other hand, automatic ID photo booths have been introduced in mainland China for just over 10 years. The market of automatic ID photo booths in China is still at the developing stage and most automatic ID photo booth operators are concentrated in tier 1 cities and tier 2 cities, in which the market recognition of automatic ID photo booths is relatively high.

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### *Geographical Distribution of Automatic ID Photo Booths in China*

Shanghai is the largest market of photo booths in China with around 900 booths by 2016. Photo-Me and an Supplier A are the major players in the Shanghai market. Guangdong Province, which accounted for approximately 12.8% of the market share in China in 2016, is the second largest market of photo booths in China. By the end of 2016, there were approximately 600 automatic ID photo booths operating in Guangdong Province.

**Market Share of Top 3 Regions in terms of Total Number of Automatic ID Photo Booths in China 2016**



Source: F&S Report

### *Competitive Landscape of Automatic ID Photo Booth Operators in Guangdong Province*

By the end of 2016, there were approximately 600 automatic ID photo booths in Guangdong Province and most of them were deployed in Guangzhou and Shenzhen. There are approximately 50 automatic ID photo booth operators in Guangdong Province. As at 2 January 2018, our Group, which is based in Hong Kong, operated 124 automatic ID photo booths in Guangdong Province, taking over approximately 16.0% of the market share in the Guangdong Province. By the end of 2016, our Group is one of the leading automatic ID photo booth operators in Guangzhou and one of the pioneers in introducing automatic photo booths with Validation Technology in China. In Guangdong Province, according to the F&S Report, other than our Group, there are two local manufacturers which supply automatic photo booths installed with Validation Technology in the market, one of which is Supplier A, an independent photo booth vendor and supplier of our Group, and another is an Independent Third Party based in Guangdong Province. The Validation Technology installed in their respective photo booths are similar to our Validation Technology which can satisfy the Specification Requirements of the PRC authorities.

Top 3 ID Photo Booth Operators in Guangdong	Number of Automatic ID Photo Booth Operated in Guangdong by 2016	Market Share in terms of Number of Booths Operated in Guangdong by 2016
Supplier A	290	48.3%
Our Group	66	11.0%
Operator B	20	3.3%
Others	224	37.3%
<b>Total</b>	<b>600</b>	<b>100%</b>

Source: F&S Report

Customers prefer to use photo service provided by the automatic ID photo service providers which have industry know-how about the ID photo requirements and advanced supporting technology to ensure full compliance with such requirements. Meanwhile,

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## INDUSTRY OVERVIEW

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customers are more willing to take ID photos from well-recognised ID photo service providers. Therefore, the market share of studios and small industry players will be gradually taken up by leading players such as our Group. As the customers increasingly expect the ID photo service providers to streamline photo taking workflows and provide quality photos, the major players which have quality photo booths and invested in the infrastructure, including our Group, are likely to find their leadership status strengthened.

### AUTOMATIC ID PHOTO BOOTH MANUFACTURING MARKET ANALYSIS

#### Competitive landscape overview in Hong Kong

There are around 50 automatic ID photo booth manufacturers in the world. The global market of automatic ID photo booth manufacturing industry is relatively concentrated, and it is an industry norm for automatic ID photo booth operator to rely on a few manufacturers for the supply of photo booths. The Photo-Me Group is the largest automatic ID photo booth manufacturer in the world with a global market share of over 50% in terms of number of automatic ID photo booths and 100% in Hong Kong by the end of 2016 whereas the second and third leading manufacturers accounted for approximately 10% and 4% of the global market respectively. For automatic ID photo booth services market in Hong Kong, it is an industry norm for our Group as the only automatic ID photo booth operator in Hong Kong to rely on the Photo-Me Group as the only automatic ID photo booth manufacturer for the supply of photo booths.

It is also the industry norm for photo booth suppliers to supply spare parts and consumables to their customers. Photo booths spare parts and consumables normally include photographic paper and colour thermal transfer ribbon. The spare parts and consumables offered by different photo booth suppliers bear specifications of the photo booths and hence, are not interchangeable. The annual consumption of photo booths spare parts and consumables in Guangdong Province increased along with the increasing number of photo booths in the market.

#### Major Competition of Automatic ID Photo Booth Suppliers in China

By the end of 2016, there were approximately 4,700 automatic ID photo booths across mainland China and most of them were placed in tier 1 cities and tier 2 cities. The major placing sites of automatic ID photo booths were subway stations, buildings/offices of government agencies, shopping malls and schools. As of 2016, there were approximately 200 to 300 automatic ID photo booth suppliers in China, while the automatic ID photo booth market in China is dominated by several large scale manufacturers who also operate the photo booths. These large-scale manufacturers/suppliers supplied over 3,400 automatic ID photo booths in China in 2016. For automatic ID photo booth services market in China, it is an industry norm for automatic photo booth operators to rely heavily on a few top automatic ID photo booth manufacturers for the supply of photo booths.

Major Booth Manufacturers	Number of Automatic ID Photo Booth Supplied in the PRC by 2016	Market Share in terms of Supplied Booth Number by 2016
Supplier A	~1400	29.8%
Photo-Me	~1000	21.3%
Operator D	~600	12.8%
Operator B	~400	8.5%

Source: F&S Report

In 2016, the consumption of photo booths spare parts and consumables in the Guangdong Province was approximately RMB5.1 million.

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## REGULATORY OVERVIEW

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### REGULATORY FRAMEWORK

#### Hong Kong regulatory overview

The following sets forth the most significant aspect of Hong Kong laws and regulations relating to our business operations in Hong Kong.

#### **Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (“SGO”)**

The SGO provides, inter alia, that where a seller sells goods in the course of a business, there are implied conditions that (i) where the goods are purchased by description, the goods must correspond with the description; (ii) the goods supplied are of merchantable quality; and (iii) the goods must be fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject defective goods unless he or she has a reasonable opportunity to examine the goods.

The SGO provides implied terms for the standard of the photos provided by our Group to its customers. The business of our Group involves printed ID photos, which is subject to the SGO. A breach of the terms may give rise to a civil action for breach of contract by the customer. However, no criminal liability arises from a breach of the implied terms.

#### **Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (“IE(R)R”)**

Regulations 4 and 5 of the IE(R)R sets out that every person who imports or exports any article other than an excepted article shall lodge with the Commissioner of Customs and Excise an accurate and complete import or export declaration relating to such article using services provided by a specific body, in accordance with the requirements that the Commissioner of Customs and Excise may specify. Every declaration shall be lodged within 14 days after the importation and exportation of the article to which it relates. As our Group would import and export the photo booths during the course of our business, our Group is subject to the regulations of the IE(R)R.

Any person who fails or neglects to do such declaration within 14 days after the importation or exportation of the article to which it relates without any reasonable excuse shall be liable to (i) a fine of HK\$1,000 upon summary conviction; and (ii) daily fine of HK\$100 in respect of the period during which his failure or neglect to lodge such declaration in that manner continues, commencing from the day following the date of conviction. Regulations 4 and 5 also provide that any person knowingly or recklessly lodges any declaration with the Commissioner of Customs and Excise that is inaccurate in any material particular shall be liable to a fine of HK\$10,000 upon summary conviction.

Regulation 7 of the IE(R)R sets out the charges payable on the late lodgment of import declarations, in addition to the penalty set out in the said Regulations 4 and 5, in respect of the total values of articles specified in an import or export declaration with different time period of lodging an import or export declaration.

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## **REGULATORY OVERVIEW**

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During the Track Record Period, our Group has not experienced failure to lodge any imported photo booths within the prescribed period.

### **The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (“TMO”)**

The TMO provides for the registration of trademarks and related matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the TMO and the Trade Marks Rules (Chapter 559A of the Laws of Hong Kong) (“TMR”).

According to section 10 of the TMO, a registered trademark is a property right acquired through due registration under such ordinance. The owner of a registered trademark is entitled to the rights provided by the ordinance.

Please refer to “Appendix V – B. Further Information about Our Business – 2. Material Intellectual Property Rights” for further details of our registered trademarks in Hong Kong.

By virtue of section 14 of the TMO, the owner of a registered trademark has exclusive rights in the trademark. The rights of the owner respecting the registered trademark come into existence from the date of the registration of the trademark. According to section 48 of the TMO, the registration date is the filing date of the application for registration.

Subject to the exceptions in sections 19 to 21 of the TMO, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark. Conducts which amount to infringement of the registered trademark are further specified in section 18 of the TMO.

The owner of the registered trademark is entitled to remedies under the TMO once any infringement by third parties occurs, such as infringement proceedings provided for in sections 23 and 25 of the TMO.

Trademarks which are not registered under the TMO and the TMR may still obtain protection by the common law action of pass off, which requires proof of the owner’s reputation in the unregistered trademark and that use of the trademark by third parties will cause the owner damage.

### **Trades Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (“TDO”)**

The TDO prohibits false trade description, false, misleading or incomplete information, false statements, etc., in respect of goods offered in the course of trade. Therefore, all of the photos sold by our Group are required to comply with the relevant provisions therein.

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Section 2 of the TDO provides, inter alia, that “trade description” in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognized by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned etc.), with respect to any goods or parts of the goods; and in relation to services mean an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc.).

Section 7 of the TDO provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

Section 7A of the TDO provides that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is supplied, commits an offence.

Sections 13E, 13F, 13G, 13H and 13I of the TDO provide that a trader who engages in relation to a consumer in a commercial practice that is a misleading omission or aggressive, or that constitutes bait advertising, a bait and switch or wrongly accepting payment for a product commits an offence.

In accordance with section 18 of the TDO, a person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for five years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for two years.

### **Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (“CGSO”)**

The CGSO imposes a duty on manufacturers, importers and suppliers of certain consumer goods to ensure that the consumer goods they supply are safe and for incidental purposes.

Our Group’s photo booths and photos are regulated by the CGSO and the Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong) (“CGSR”).

Section 4(1) of the CGSO requires consumer goods to be reasonably safe having regard to all of the circumstances including the manner in which, and the purpose for which the products are presented, promoted or marketed, the use of any mark in relation to the products, instructions and warnings given for the keeping or use of the products, reasonable safety standards published by a standards institute or other similar bodies and the existence of any reasonable means to make the products safer.

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The CGSO imposes criminal penalties for a breach of the safety requirements, and the Commissioner of Customs and Excise has the power to serve a recall notice requiring the immediate withdrawal of any consumer goods or products which are believed to be unsafe and may cause serious injury.

### **Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (“PDPO”)**

The image files of our customers taken by the ID photo booths operated in the premises of the PRC permits issuing authority in Hong Kong or the PRC permits issuing authority’s authorised agent would be stored temporarily. Such photos are the only image files that would be stored. As a result, we have to follow the fair information practices as set out in the data protection principles of the PDPO.

Although we owe a duty of confidentiality to our customers under the relevant laws and regulations on protection of data privacy, we are required, and are entitled to report any suspicious cases to the relevant authorities. Legislations in Hong Kong such as the Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) require that disclosure of certain suspicious transactions be made under the legislation. Such disclosures are not to be treated as a breach of any restriction upon the disclosure of information imposed by contract or by any enactment, rule of conduct or other legislation provision, and any person making such disclosure shall not be liable in damages for any loss which may arise out of such disclosure.

Further, Section 58 of the PDPO provides that if personal data are used for any of the purposes referred to in Section 58(1) of the PDPO (which includes but not limited to prevention or detection of crimes, prosecution or detention of offenders and prevention, preclusion or remedying of unlawful or seriously improper conduct or dishonesty or malpractice by persons etc.) (the “**Exempted Matters**”) and the application of the personal data protection principle in relation to such use would be likely to prejudice any of the Exempted Matters, then: (i) such personal data are exempted from the provisions of certain data protection principle; and (ii) if there is proceeding against any person for a contravention of any of those provisions of PDPO, it shall be a defence if that person can show that he has reasonable grounds for believing that failure to so use the data would have been likely to prejudice any of the Exempted Matters.

Amendments to the PDPO (“**PDPO Amendments**”) came into effect on 1 April 2013 and the new Part VI A of the PDPO imposes new regulations on the use and provision of personal data in direct marketing by business entities. Under the PDPO Amendments, if customers’ personal data are intended to be used in direct marketing, customers must be notified and their consent must be obtained before using or transferring any of their personal data to another person. Furthermore, customers must be notified of their opt-out right when using their personal data in direct marketing for the first time. Customers are entitled to require us to cease using their personal data at any time. Under these amendments to the PDPO, customers shall not be charged for the compliance with these amendments.



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Please refer to the section headed “Risk Factor – Risks relating to our Business and Operation – Any leakage or improper use of the ID photos or personal data of our customers may lead to claims or litigations against us” in this prospectus.

### **Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (“CO”)**

The CO, which entered into force on 14 December 2015, (a) prohibits conducts that prevent, restrict or distort competition in Hong Kong; (b) prohibits mergers that substantially lessen competition in Hong Kong; and (c) provides for incidental and connected matters. The CO includes, among other provisions, the first conduct rule, which prohibits anti-competitive conduct involving more than one party; and the second conduct rule, which prohibits anti-competitive conduct by a party with substantial market power. The CO provides for the establishment of the competition commission (the “**Competition Commission**”) with investigation powers and the competition tribunal (the “**Competition Tribunal**”) with adjudicative powers.

#### ***The First Conduct Rule***

The first conduct rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conduct includes (i) fixing, maintaining, increasing, or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging practices.

#### ***The Second Conduct Rule***

The second conduct rule provides that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has the object or effect of preventing, restricting or distorting competition in Hong Kong. Factors which may be taken into account when determining whether an undertaking has such power includes the market share of the undertaking, the undertaking’s power to make pricing and other decisions; and any barriers to entry to competitors into the relevant market. The CO prohibits the abuse of a substantial degree of market power and provides two examples of abusive conduct. An undertaking with a substantial degree of market power may commit an abuse by engaging in “predatory behaviour towards competitors” or by “limiting production, markets or technical development to the prejudice of consumers”.

#### ***Consequences of non-compliance with the CO***

Penalties that the Competition Tribunal may impose for contraventions of a competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a “single contravention” can

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be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years. The Competition Tribunal may also order the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission's investigation.

### **Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (“BRO”)**

The BRO requires every person, whether a company or an individual, who carries on a business in Hong Kong to apply for business registration certificate from the Inland Revenue Department within one month from the date of commencement of the business, and to display the valid business registration certificate at the place of business. Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offence, and shall be liable to a fine of HK\$5,000 and to imprisonment for one year.

### **Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (“ECO”)**

The ECO establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the respective rights and obligations of employer and employee in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under section 32 of the ECO, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. Further, section 40 of the ECO provides that an employer is not permitted to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than that specified in the ECO.

### **Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (“MPFSO”)**

The MPFSO provides for, inter alia, the establishment of a system of privately managed, employment-related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement.

Under the MPFSO, the employer and its relevant employee, meaning an employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees' relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by an employer to the relevant employee in consideration

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of his employment under his employment contract. With effect from 1 June 2012, the maximum level of relevant monthly income of a relevant employee was adjusted from HK\$20,000 to HK\$25,000, and thus the relevant maximum mandatory contribution was adjusted from HK\$1,000 to HK\$1,250. With effect from 1 June 2014, the maximum level of relevant monthly income of a relevant employee was further adjusted from HK\$25,000 to HK\$30,000, and thus the relevant maximum mandatory contribution was adjusted from HK\$1,250 to HK\$1,500.

### **Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (“MWO”)**

The MWO provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the MWO is void.

### **Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) (“DGO”) and Firearms and Ammunition Ordinance (Chapter 238 of the Laws of Hong Kong) (“FAO”)**

As some of the photo booths of our Group are located in metro stations in Hong Kong, we are subject to the DGO and the FAO and must ensure that (i) no dangerous goods within the meaning of the DGO and (ii) no arms or ammunition within the meaning of the FAO is kept or stored within the metro stations or our photo booths.

### **PRC Regulatory Overview**

The following sets forth the most significant aspect of PRC laws and regulations relating to our business operations in the PRC.

### **Regulations as to Foreign Investment**

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (“**Catalogue**”), which was promulgated and is amended from time to time by MOFCOM and National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會). The latest amendment was made on 28 June 2017 and became effective on 28 July 2017. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. Any industry not listed in the Catalogue is a permitted industry, and are generally open to foreign investment unless specifically prohibited or restricted by the PRC laws and regulations.

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law

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of the PRC (中華人民共和國外資企業法) (“**Wholly Foreign-owned Enterprise Law**”), which was promulgated on 12 April 1986 and amended respectively on 31 October 2000 and 3 September 2016, and Implementation Regulations for the Wholly Foreign-owned Enterprise Law of PRC (中華人民共和國外資企業法實施細則), which was promulgated on 12 December 1990 and amended respectively on 12 April 2001 and 19 February 2014.

Pursuant to The Decision of the SCNPC on Revising Four Laws including Wholly Foreign-owned Enterprise Law of the PRC (全國人民代表大會常務委員會關於修改《中華人民共和國外資企業法》等四部法律的決定), which was promulgated by SCNPC on 3 September 2016 and with effect from 1 October 2016, the establishment of wholly foreign-owned enterprise does not involve the implementation of special access administrative measures prescribed by the state, the approval items stipulated in breakup, merger or any other major change are subject to record-filing management.

On October 8, 2016, the MOFCOM promulgated the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (外商投資企業設立及變更備案管理暫行辦法) (“**Interim Measures**”), which came into force on the issuing date and amended respectively on 30 July 2017. In accordance with the Interim Measures, the formation and modification of foreign-funded enterprises that do not involve the implementation of special administrative measures for access as prescribed by the state shall be appropriately recorded with competent authorities.

### **Regulations as to Product Liabilities**

Liability claims may arise if the products sold or the services provided have any harmful effects on consumers. The injured party may claim for damages or compensation. The General Principles of the Civil Law of the PRC (中華人民共和國民法通則), which was promulgated by the National People’s Congress (the “NPC”) on 12 April 1986 and became effective from 1 January 1987, as amended on 27 August 2009, states that manufacturers and sellers of defective products causing property damage or injury shall incur civil liabilities. As the General Provisions of the Civil Law of the PRC (中華人民共和國民法總則), which was promulgated by the NPC on 15 March 2017 and came into effect on 1 October 2017, does not include provisions in relation to product liability, the relevant provisions under the General Principles of the Civil Law of the PRC will continue to be valid and enforceable. However, the General Provisions of the Civil Law of the PRC changes the time limit of legal proceedings of the State from two years to three years.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) was promulgated by the SCNPC on 31 October 1993 and became effective from 1 January 1994, as amended on 27 August 2009 and 25 October 2013 respectively, to protect consumers’ rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and provide services to customers.

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On 26 December 2009, the SCNPC promulgated the PRC Tort Liability Law (中華人民共和國侵權責任法), which became effective from 1 July 2010. Producers shall bear liability for damage caused to others by their defective products, and for such damage, the injured party may seek compensation from either the producer or the seller. Where the product defect is caused by the producer, the seller may, after paying compensation, claim against the producer for the same. Where the product defect is caused by the seller, the producer may, after paying compensation, claim against the seller for the same.

### Regulations as to Labour Protection

The main PRC employment laws and regulations applicable to us include the Labour Law of the PRC (中華人民共和國勞動法) (“**Labour Law**”), the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (“**Labour Contract Law**”) and the Implementing Regulations of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例).

According to the Labour Law, which was promulgated by the SCNPC on 5 July 1994, came into effect on 1 January 1995 and was amended on 27 August 2009, the employers should enter into written employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. The policy of the wages shall be paid according to the performance, equal pay for equal work, lowest wage protection and special labour protection for female worker and juvenile workers shall be implemented. The Labour Law also requires the employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. The employers are also required to pay for their employees’ social insurance premium.

According to the Labour Contract Law, which was promulgated by the SCNPC on 29 June 2007, came into effect on 1 January 2008 and was amended on 28 December 2012, and its implementing regulations, which was promulgated on 18 September 2008 and became effective since the same day, enterprises established in PRC shall enter into employment agreements with their employees to provide for the term, job duties, work time, holidays, payments by laws. Both the employers and the employees shall duly perform their duties. Meanwhile, the Labour Contract Law also provides for the scenario of rescission and termination of employment agents. Except for certain situation explicitly stipulated in the Labour Contract Law which will not be subject to economic compensation, the employers shall pay the employees economic compensation for the illegal rescission or termination of the employment agreement.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) (“**Social Insurance Law**”), which was promulgated by the SCNPC on 28 October 2010 and became effective on 1 July 2011, the State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. The employers are required to pay money for their

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employees to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

In addition, according to the Several Provisions on Implementing the Social Insurance Law of the PRC (實施《中華人民共和國社會保險法》若干規定) (“**Provisions**”), which was promulgated by Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) on 29 June 2011 and became effective on 1 July 2011, insurance premium which should be paid by the employees shall be withheld and paid by the employers. Where an employer fails to withhold and pay the premiums in accordance with the Provisions, the social insurance premium collection institution shall order the employer to settle within a time limit and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date of default, whereas, for the unsubscribed social insurance contribution prior to 1 July 2011, being the effective date of the Social Insurance Law, employer may be required to pay social insurance within a time period and if the employer fails to do so, a 0.2% daily overdue fine may be imposed on it. The employers shall not require employees to pay for the late payment penalty.

Pursuant to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例), which was promulgated by the State Council on 3 April 1999, became effective on 3 April 1999, and as amended on 24 March 2002, the employers shall go through housing provident funds registration with the local housing fund administration center and open housing fund accounts for its employees in the bank and pay money for its employee to the Housing Fund. Failure to conduct the above mentioned registration and accounts opening, the employer may be subject to an order to complete such procedures within time limit. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. Where companies fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order such companies to pay up within a designated period, and may further apply to the People’s Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

### **Regulations as to Foreign Exchange**

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996, having become effective as of 1 April 1996 and as amended respectively on 14 January 1997 and 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by PBOC on 20 June 1996 and became effective on 1 July 1996.

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Pursuant to these regulations and other relevant PRC rules and regulations on currency conversion, RMB is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside PRC unless prior approval of SAFE or its local branch is obtained.

Foreign invested enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. However, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad were subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary). According to Notice regarding Further Simplifying and Improving Direct Investment Foreign Exchange Management Policy (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) promulgated by SAFE on 13 February 2015, and effective from 1 June 2015, overseas direct investment or domestic direct investment will no longer be subject to approval by SAFE. Instead, certain qualified local banks will take charge of relevant registration procedures, and SAFE and its local branches will execute indirect supervision on the procedures aforesaid.

According to the Notice on the Reformation of the Administration Methods concerning the Foreign Currency Capital Settlement of Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) which was promulgated by SAFE on 30 March 2015 and came into effect on 1 June 2015, and the Notice on Reforming and Regulating the Administration Policy regarding the Settlement of Foreign Exchange Capital of Capital Accounts (關於改革和規範資本項目結匯管理政策的通知) which was promulgated by SAFE on 9 June 2016 and came into effect on the same date, the use of capital of a foreign-invested enterprise shall follow the truth and self-use principle within the business scope of the business. Capital of a foreign-invested enterprise and its settled RMB funds are forbidden to be used for the following purposes:

- (i) to be used directly or indirectly outside the business scope of the enterprise or as expenditures that are forbidden by PRC laws and regulations;
- (ii) to be used directly or indirectly in securities investments or other financial products other than bank's principal-secured products unless otherwise set forth in laws and regulations;
- (iii) to be used for granting loans to non-affiliated enterprises unless expressly permitted in the business license; and
- (iv) to be used to build or purchase non-self-use real estate unless the enterprise is a foreign-invested real estate enterprise.

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### Regulations as to Taxation

#### *Income tax*

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which was promulgated by the NPC on 16 March 2007 and taken into effect as of 1 January 2008 and amended on 24 February 2017, and its implementation regulations (中華人民共和國企業所得稅法實施條例) (collectively, “EIT Law”), which was promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, enterprises are classified into resident enterprises and non-resident enterprises. Enterprises, which are incorporated in the PRC or located in the PRC, are deemed “resident enterprise” and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and its income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with its establishments or places of business located in the PRC. Non-resident enterprises without an establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC.

#### *Withholding tax on dividend distribution*

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the implementation rules of the EIT Law reduce the rate from 20% to 10%.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is no more than 5%, if the Hong Kong enterprise directly owns at least 25% of the capital of the PRC resident enterprise. If the beneficiary is a Hong Kong resident enterprise which directly holds less than 25% equity interests of the PRC enterprise, the tax levied shall be no more than 10% of the distributed dividends. According to the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated on 20 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.



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According to the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (非居民納稅人享受稅收協定待遇管理辦法) (“**Administration Measures**”), which was promulgated by the SAT on 27 August 2015 and came into effect on 1 November 2015, a non-resident taxpayer may enjoy the preferential tax treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the preferential tax treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the preferential tax treatment, the non-resident taxpayer shall file documents as required by the Administration Measures with the PRC competent tax authority when filing tax returns or withholding and declaration through a withholding agent, among which the proof of the identity of the tax resident issued by the tax authority of the counter party to the treaty is required. During the follow-up administration, the PRC competent tax authorities shall verify if the non-resident taxpayer is eligible for the preferential tax treatment and if the PRC competent tax authority finds out that the non-resident taxpayer, who enjoyed the preferential tax treatment, is not eligible for such treatment under the relevant laws, the PRC competent tax authority shall require such non-resident taxpayer to pay up the overdue taxes before a specified deadline.

### *Value added tax*

Pursuant to the Provisional Regulations of the PRC Concerning Value-Added Tax (中華人民共和國增值稅暫行條例) (“**Provisional Regulations on VAT**”), which was promulgated by the State Council on 13 December 1993 and last amended on 19 November 2017, and the Implementation Rules of the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則), which was promulgated by the MOF and became effective as from 25 December 1993, and were amended on 15 December 2008 and 28 October 2011, all entities or individuals engaged in the sale of goods, the supply of processing services, repairs and replacement services, the sale of services, intangible properties, real estate, and the importation of goods within the territory of the PRC are required to pay value-added tax (“**VAT**”). VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is normally 17% or in certain limited circumstances, the tax rate changes depending on the product type, except for small-scale VAT taxpayers under the Provisional Regulations on VAT. Pursuant to Implementation Rules of the Provisional Regulations on VAT, the sales volume of a small-scale taxpayer does not include the amount of its payable taxes, and if a small-scale taxpayer adopts the method of pricing by combining sales volume and payable taxes for the sale of goods or provision of taxable labor services, its sales volume shall be computed according to the following formula: Sales volume = Sales volume containing tax ÷ (1 + Tax rate (徵收率)). In addition, pursuant to the Provisional Regulations on VAT, the leviable rate (徵收率) of VAT for small-scale taxpayer is 3%.

### *Business tax*

Pursuant to the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例), which was amended by the State Council on 10 November 2008 and became enforceable on 1 January 2009 and its Implementation Rules on the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例實施細則), which was amended by

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## REGULATORY OVERVIEW

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MOF on 28 October 2011 and be enforceable as at 1 November 2011, the tax rate for the transportation industry, construction industry, culture and sports industry and postal and telecommunications industry is 3% and the tax rate for the recreation industry is 5%-20%; the tax rate for the service industry, the sale of real estate industry and the transfer of intangible assets is 5%. Both of the regulations have been abolished by the State Council on 19 November 2017.

Pursuant to the Notice on Adjustment of Transforming Business Tax to Value Added Tax (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知) (財稅[2016]36號) with its four attachments, which was promulgated on 23 March 2016 and came into effect on 1 May 2016 by the MOF and the SAT. Upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner as of 1 May 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of VAT instead of business tax. The provision of transportation, posting, basic telecommunications construction and leasing real estate, the sale of real estate and the transfer of land use right service shall be subject to a VAT rate of 11%. The provision of leasing tangible movables service may be subject to a leviable rate of 17%. The tax rate of VAT is nil for cross-border taxable activities provided by units and individual within the PRC and 6% for industry other than disclosed aforesaid. Pursuant to the Notice of Cai Shui [2016] No. 36, except for any other rules issued by the MOF or the SAT, the tax rate (徵收率) of VAT is 3%.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OVERVIEW

In preparation for the Listing, our Company was incorporated in the Cayman Islands under the Companies Law on 26 January 2017 and is the holding company of our Group. Our Company was incorporated as part of our Reorganisation, details of which are set out in “Reorganisation” in this section below.

As a result of the Reorganisation, prior to the Capitalisation Issue and the Share Offer, our Company was owned (i) as to approximately 71.27% by Causeway Treasure; (ii) as to approximately 18.33% by Photo-Me; and (iii) as to approximately 10.40% by Mr. Cheung. Causeway Treasure was owned as to 47.25% by Mr. Jamson Chan, 47.25% by Mr. Timmy Chan and 5.50% by Ms. AY Ying Ho. Details of our shareholding structure are set out in the paragraphs headed “Corporate Structure and Development” and “Reorganisation” in this section below.

Immediately following the completion of the Capitalisation Issue and the Share Offer, Causeway Treasure, Photo-Me and Mr. Cheung will control approximately 53.45%, 13.75% and 7.80% of the voting rights in our Company respectively (excluding the Shares which may be issued upon exercise of the Offer Size Adjustment Option and without taking into account any Shares which may be allotted and issued upon any exercise of the options which may be granted under the Share Option Scheme). As Mr. Jamson Chan, Mr. Timmy Chan and Ms. AY Ying Ho will, through Causeway Treasure, be entitled to control the exercise of the voting rights of 30% or more of the Shares, Mr. Jamson Chan, Mr. Timmy Chan, Ms. AY Ying Ho and Causeway Treasure are considered as our Controlling Shareholders under the GEM Listing Rules immediately following the completion of Capitalisation Issue and Share Offer.

### OUR BUSINESS DEVELOPMENT

#### History and origin

The history of our Group can be traced back to the establishment of Max Sight in 1989 by two Independent Third Parties. In the same year, through a trust arrangement, an Independent Third Party declared that it held 50% of the shareholding interest in Max Sight for and on behalf of Max Sight Holdings. Mr. Jamson Chan, who had been a shareholder and a director of Max Sight Holdings since 1989, participated in the daily management and operation of Max Sight through his interests in Max Sight Holdings.

Since its incorporation, Max Sight has been principally engaged in the operation of automatic ID photo booths. In 1991, Mr. Jamson Chan acquired 50% of the share capital of Max Sight which Max Sight Holdings was beneficially interested in from the Independent Third Party. Under the leadership of Mr. Jamson Chan who has 27 years of experience in the field of automatic photography industry, our Group has built up a business network in prime locations in Hong Kong and Guangdong Province.

In the past 27 years, we have developed to become a leading automatic ID photo booth operator in Hong Kong. We intend to further entrench our competitiveness and become a leading automatic ID photo booth operator in Guangdong Province by continuous expansion in such region.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### Milestones

The key events of our business and corporate development are as follows:

<b>Year</b>	<b>Milestone</b>
1989	Max Sight Holdings was interested in 50% equity interest in Max Sight through a trust arrangement.  We operated our first batch of photo booths in various metro stations in Hong Kong.
1990	We operated our first batch of photo booths in various branches of one of the government related ID Documentations Issuing Authorities in Hong Kong.
1991	Mr. Jamson Chan, our executive Director and chairman of the Board, acquired 50% of the share capital of Max Sight.
1993	We began procuring photo booths and photo booth consumables in Hong Kong from the Photo-Me Group and we have become the sole customer of the Photo-Me Group in its photo booth operation in Hong Kong. We also acquired photo booths and consumables in Hong Kong from the Photo-Me Group.
1998	We installed and operated our first batch of photo booths in the PRC permits issuing authority in Hong Kong.
1999	Photo-Me decided to invest in our Group and became a shareholder of Fullwise, one of our operating subsidiaries. It acted as a passive investor of our Group without active involvement in our daily operation and management since then.
2005	The Photo-Me Group extended the supply of its photo booths to our Group through leasing in Guangzhou.
2006	We entered into contract with a railway corporation in Guangzhou for the first time and since then we started to install and operate photo booths in the railway stations in Guangzhou.
2007	We installed and operated our first batch of photo booths in Hong Kong where digital image files taken are automatically uploaded to the server of the PRC permits issuing authority in Hong Kong.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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<b>Year</b>	<b>Milestone</b>
2010	We added the Validation Technology function to our photo booths in Guangdong Province.
2011	We installed and operated our first batch of photo booths in a hospital and foreign embassies in Guangzhou.
2012	We added the Validation Technology function to our photo booths in Hong Kong.
2013	We expanded our coverage of photo booths to an additional 27 Guangzhou metro stations.
2014	We entered into a contract pursuant to which we were permitted to install and operate photo booths at the premises of a driving licence issuing authority in Guangdong Province since then.
2015	We collaborated with Prestige Technology, one of our business partners, by positioning our photo booths adjacent to their automatic PRC permit application machines in Guangzhou. We also upgraded all our photo booths to a newer model in Guangzhou.
2016	We renewed the contract with the railway corporation in Guangzhou pursuant to which we operated photo booths in 28 Guangzhou metro stations. The contract remains valid until the end of 2021.
2017	We entered into an exclusive collaboration agreement with Prestige Technology pursuant to which we collaborate with Prestige Technology to launch the permits application/photo-taking machines in certain ID Documentations Issuing Authorities in Guangdong Province. We also entered into an agreement with railway corporations in Foshan and Dongguan, Guangdong Province, respectively. Pursuant to such contracts, as at the Latest Practicable Date, we have installed and operated photo booths in 21 Foshan metro stations and six Dongguan metro stations, respectively.

In addition, we have entered into a contract with a railway corporation in Guangzhou to install and operate photo booths in 38 new metro stations in Guangzhou. Pursuant to such contract, we have installed and operated photo booths in 34 new metro stations in Guangzhou as at the Latest Practicable Date.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### SHAREHOLDING STRUCTURE

Our Company was incorporated on 26 January 2017 in the Cayman Islands as the holding company of our Group. Max Sight, GZ Max Sight, MV Asset, Fullwise, Treasure Star and Max Sight International are our operating subsidiaries during the Track Record Period. Our operating subsidiaries are principally engaged in the operation of automatic ID photo booths in Hong Kong and Guangdong Province, as the case may be. During the Track Record Period, Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan remained as the Controlling Shareholders of our Group.

Immediately upon completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and without taking into account the Shares that may be allotted and issued upon exercise of the options which may be granted under the Share Option Scheme), Causeway Treasure, Photo-Me and Mr. Cheung will be beneficially interested in approximately 53.45%, 13.75% and 7.80% of our entire issued share capital, respectively and Mr. Jamson Chan, Mr. Timmy Chan, Ms. AY Ying Ho and Causeway Treasure will be our Controlling Shareholders under the GEM Listing Rules.

### CORPORATE STRUCTURE AND DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company, two intermediate holding companies and six indirectly wholly-owned subsidiaries. The two intermediate holding companies are Max Sight (BVI) and Treasure Star (China). The six indirect wholly-owned subsidiaries include Max Sight, GZ Max Sight, MV Asset, Fullwise, Treasure Star and Max Sight International. GZ Max Sight was wholly owned by Max Sight. Our Company was incorporated as part of our Reorganisation as the holding company of our business operations.

Set forth below is a brief description of the corporate history and shareholding structure of our operating subsidiaries:

#### **Max Sight**

Max Sight is one of our main operating subsidiaries and is the immediate holding company of GZ Max Sight. Max Sight is principally engaged in the operation of automatic ID photo booths in Hong Kong. It was incorporated on 13 January 1989 under the Predecessor Companies Ordinance in Hong Kong with limited liability. On incorporation, Max Sight had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was allotted and issued as fully paid at par to each of two Independent Third Parties as the initial subscribers.

Through a trust deed dated 20 April 1989, an Independent Third Party declared that it held 50% of the then issued share capital of Max Sight on behalf of Max Sight Holdings. The then directors of Max Sight Holdings included Mr. Jamson Chan and Mr. Cheung, both of whom are our Directors and subsequently acquired the entire shareholding interest in Max Sight Holdings in August 1989.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 14 May 1991, 50% of the then issued share capital of Max Sight was transferred from the said Independent Third Party (who then held such equity interest on trust for Max Sight Holdings) to Mr. Jamson Chan at a consideration of HK\$500,000. Upon the transfer and following other shareholding changes, Max Sight was owned as to 50% by Mr. Jamson Chan, 25% by Prontophot Holding AG and 25% by an Independent Third Party. As confirmed by Mr. Jamson Chan and Mr. Cheung, with a view to consolidate Mr. Jamson Chan's control of Max Sight and for administrative convenience purposes out of the then 50% shareholding interest legally held by Mr. Jamson Chan, Mr. Jamson Chan was beneficially interested in approximately 35.81% shareholding interest in Max Sight, while approximately 14.19% of the shareholding interest in Max Sight was held on trust by Mr. Jamson Chan for the benefit of Mr. Cheung.

During the corporate history of Max Sight, following various instances of allotment and transfer of shares (including the transfer of all the shares held by Prontophot Holding AG to Photo-Me on 13 January 2003), as at 1 January 2015 (i.e. commencement of the Track Record Period) and immediately prior to the Reorganisation, 2,293,000 shares (representing 57.33% of the total issued share capital of Max Sight), 1,333,000 shares (representing 33.33% of the total issued share capital of Max Sight) and 374,000 shares (representing 9.35% of the total issued share capital of Max Sight) were held by Mr. Jamson Chan, Photo-Me and Mr. Jamson Chan and Ms. AY Ying Ho jointly, respectively. Out of the 2,293,000 shares held under the name of Mr. Jamson Chan, 756,690 shares (representing 18.92% of the total issued share capital of Max Sight) was held by Mr. Jamson Chan on trust for the benefit of Mr. Cheung.

### **GZ Max Sight**

GZ Max Sight is one of our main operating subsidiaries. GZ Max Sight is principally engaged in the operation of automatic ID photo booths in the Guangdong Province. GZ Max Sight was established on 1 August 2005 in the PRC as a wholly foreign-owned enterprise with limited liability. Its initial registered capital was RMB0.5 million and was solely owned by Max Sight. Its initial registered capital was fully paid up and contributed by Max Sight as at 3 November 2005.

The registered capital of GZ Max Sight was increased to RMB0.7 million in April 2008. Its increased registered capital was fully paid up and contributed by Max Sight as at 17 March 2008. Such registered capital held by Max Sight has been increased to RMB5.0 million up to the Latest Practicable Date. The increased registered capital was fully paid up as at the Latest Practicable Date.

### **MV Asset**

MV Asset is one of our main operating subsidiaries. MV Asset is principally engaged in the operation of automatic ID photo booths in Hong Kong. MV Asset was incorporated on 5 June 1998 under the name of Real Chance Far East Limited (天基遠東有限公司) under the Predecessor Companies Ordinance in Hong Kong with limited liability. The company subsequently changed its name to Max Vending Limited (名仕售賣機有限公司) in November 1998 and further changed to its current company name in December 2003.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On incorporation, MV Asset had an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was allotted and issued as fully paid at par to each of two Independent Third Parties as the initial subscribers.

On 27 October 1998, each of the one share in MV Asset held by the two initial subscribers was transferred at par to an Independent Third Party and Mr. Jamson Chan, respectively. On 22 November 2000, the one share held by the Independent Third Party was transferred at a consideration of HK\$200,000 to Max Sight Holdings. Upon the transfer and as at 1 January 2015 up to immediately prior to the Reorganisation, Mr. Jamson Chan and Max Sight Holdings held 1 share and 1 share in MV Asset, representing 50% and 50% of the issued share capital of MV Asset.

### **Fullwise**

Fullwise is one of our main operating subsidiaries. Fullwise is principally engaged in the operation of automatic ID photo booths at the PRC permits issuing authority in Hong Kong. Fullwise was incorporated on 12 March 1999 under the Predecessor Companies Ordinance in Hong Kong with limited liability. On incorporation, Fullwise had an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was allotted and issued as fully paid at par to each of two Independent Third Parties as the initial subscribers.

On 7 October 1999, each of the one share in Fullwise held by the two initial subscribers was transferred to Big Star and Max Sight Holdings respectively at par.

On 8 October 1999, the authorised capital of Fullwise was increased from HK\$10,000 divided into 10,000 shares with par value of HK\$1.00 each to HK\$1,000,000 by the creation of an additional 990,000 shares of HK\$1.00 each.

On 11 October 1999, 573,249 shares, 333,250 shares and 93,499 shares were allotted and issued as fully paid at par to Max Sight Holdings, Photo-Me and Big Star respectively. Upon the allotment and as at 1 January 2015 up to immediately prior to the Reorganisation, each of Max Sight Holdings, Photo-Me and Big Star held 573,250 shares, 333,250 shares and 93,500 shares in Fullwise, representing approximately 57.33%, 33.33% and 9.35% of the issued share capital of Fullwise.

### **Treasure Star**

Treasure Star is one of our main operating subsidiaries. Treasure Star is principally engaged in the operation of automatic ID photo booths in Hong Kong. Treasure Star was incorporated on 17 December 2009 under the Predecessor Companies Ordinance in Hong Kong with limited liability. On incorporation, Treasure Star had an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was allotted and issued as fully paid at par to an Independent Third Party as the initial subscriber.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 13 January 2010, the one share in Treasure Star held by the initial subscriber was transferred to Mr. Timmy Chan at par. On 2 August 2011, 9,999 shares were allotted and issued as fully paid at par to Mr. Timmy Chan. Upon the allotment and as at 1 January 2015 up to immediately prior to the Reorganisation, Mr. Timmy Chan held 10,000 shares in Treasure Star, representing 100% of the issued share capital of Treasure Star.

### **Max Sight International**

Max Sight International is one of our main operating subsidiaries. Max Sight International is principally engaged in the operation of automatic ID photo booths in various branches of one of the government related ID Documentations Issuing Authorities in Hong Kong. Max Sight International was incorporated on 21 May 1992 under the name of Poko Investments Limited (保高投資有限公司) under the Predecessor Companies Ordinance in Hong Kong with limited liability. The Company subsequently changed its name to its current name in July 1993. On incorporation, Max Sight International had an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was allotted and issued as fully paid at par to each of two Independent Third Parties as the initial subscribers.

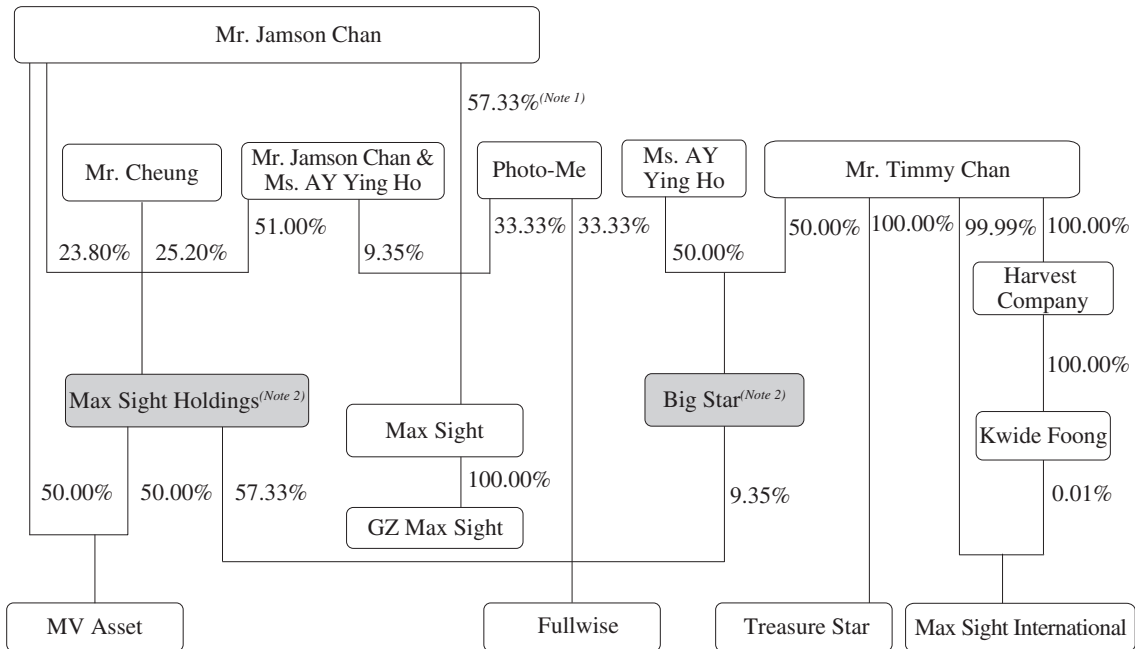
On 28 June 1993, each of the one share held by the two initial subscribers were transferred to Mr. Jamson Chan and Mr. Cheung.

During the corporate history of Max Sight International, following various instances of allotment and transfer of shares, as at 1 January 2015 and immediately prior to the Reorganisation, each of Mr. Timmy Chan and Kwide Foong held 9,999 shares and one share in Max Sight International, representing 99.99% and 0.01% of the issued share capital of Max Sight International.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### REORGANISATION

As part of our restructuring in contemplation of the Listing, we implemented the Reorganisation. Following completion of the Reorganisation on 6 July 2017, our Company became the holding company of all our subsidiaries. The following chart sets forth the shareholding structure of our Group immediately before the Reorganisation:



*Notes:*

1. Among the 57.33% issued share capital of Max Sight held under the name of Mr. Jamson Chan, 18.92% of such issued share capital was held by Mr. Jamson Chan on trust for the benefit of Mr. Cheung.
2. Max Sight Holdings and Big Star were not included in our Group following completion of the Reorganisation. Please refer to the sub-section headed “Excluded companies” below for details.

Immediately before the Reorganisation, all of the Group’s subsidiaries did not have a centralised holding company. In establishing ownership continuity and in the absence of a centralised holding company during the Track Record Period, consideration was placed on the shareholding control of the principal operating and revenue generating subsidiaries of the Group, namely Max Sight and Treasure Star. Mr. Jamson Chan, Mr. Timmy Chan and Ms. AY Ying Ho as our Controlling Shareholders, had on an individual basis or through intermediate holding companies, held equity interests in all of our Group’s subsidiaries during the Track Record Period. On the other hand, Photo-Me held 33.33% equity interests in only two of our Group’s subsidiaries, namely Max Sight and Fullwise, and it had no equity interests in other subsidiaries of our Group.

Despite the fact that Photo-Me held 33.33% equity interests in Max Sight and Fullwise before Reorganisation, Photo-Me has only been a passive investor in Max Sight and Fullwise without active participation in the day-to-day operations and management of Max Sight and Fullwise since its investment in 1999 by becoming a shareholder of Fullwise in order to secure the sales channels of its photo booths in Hong Kong and Guangdong Province.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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The passive investment of Photo-Me in Max Sight and Fullwise (and our Group as a whole) can also be demonstrated by the fact that (i) at the level of our Company, Photo-Me only has one representative, namely Mr. Riccardo Costi, acting as a non-executive Director who will not be involved in daily operation and management of our Group; and (ii) at the subsidiaries level, Mr. Riccardo Costi only acts as a director of Max Sight, GZ Max Sight and Fullwise, whereas the majority members in the overall board of directors of our Group companies comprise either or both of Mr. Jamson Chan and Mr. Timmy Chan who actively participate in the management and decision making of our Group companies.

On the other hand, as there had not been in existence any formal or informal arrangements, confirmation or compromise among Photo-Me and the Controlling Shareholders nor had they jointly affected their management and control as a group in Max Sight and Fullwise, Photo-Me had not been acting as or been treated as a member of the group of Controlling Shareholders.

Based on the above and taking into consideration that Mr. Jamson Chan and Mr. Timmy Chan have always been acting in concert with Ms. AY Ying Ho and have exerted substantial influence in the actual management of our Group altogether by being the controlling and dominating shareholders with ultimate control, and that Mr. Jamson Chan, Mr. Timmy Chan and Ms. AY Ying Ho have remained as the Controlling Shareholders of our Group during the Track Record Period (and will continue to be so up until the Listing Date), our Company satisfies the ownership continuity and control requirement under Rule 11.12A(2) of the GEM Listing Rules.

### **Excluded Companies**

Prior to Listing, some of our Shareholders had interest in Max Sight Holdings and Big Star.

### ***Max Sight Holdings***

Max Sight Holdings was incorporated on 24 February 1989 under the name of Running Front Limited under the Predecessor Companies Ordinance in Hong Kong with limited liability. Max Sight Holdings is an investment holding company, prior to the completion of the Reorganisation, it held 50.00% equity interest in MV Asset and 57.33% equity interest in Fullwise without other business and operation. On incorporation, Max Sight Holdings had an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which each of one share was allotted and issued as fully paid at par to each of two Independent Third Parties as the initial subscribers. On 6 August 1989, each of the one share in Max Sight Holdings held by the two initial subscribers was transferred to Mr. Jamson Chan and Mr. Cheung respectively at par. On 2 July 1995, the authorised capital of Max Sight Holdings was increased from HK\$10,000 divided into 10,000 shares with par value of HK\$1.00 each to HK\$6,000,000 by the creation of an additional 5,990,000 shares of HK\$1.00 each.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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During the corporate history of Max Sight Holdings, following various instances of allotment of shares, as at 1 January 2015 (i.e. commencement of the Track Record Period) and immediately prior to the disposal of the equity interests in Max Sight Holdings, each of Mr. Jamson Chan, Mr. Cheung and Mr. Jamson Chan and Ms. AY Ying Ho as joint holders held 714,000, 756,000 and 1,530,000 in Max Sight Holdings, representing approximately 23.8%, 25.2% and 51% of the issued share capital of Max Sight Holdings.

On 6 July 2017, Mr. Jamson Chan, Mr. Jamson Chan and Ms. AY Ying Ho as joint holders and Mr. Cheung transferred their relevant shareholding interest in Max Sight Holdings, representing 100% of the share capital of Max Sight Holdings, to an Independent Third Party. The consideration for such transfer was a nominal value of HK\$3.00, which was determined based on arm's length negotiations with reference to the net asset value of Max Sight Holdings after excluding a loan receivable.

As Max Sight Holdings is an investment holding company, Max Sight Holdings was not included in our Group in order to streamline our Group structure. Our Directors are of the view that as Max Sight Holdings is principally engaged in investment holding, its business will not compete with that of our Group.

### ***Big Star***

Big Star was incorporated on 20 February 1992 under the Predecessor Companies Ordinance in Hong Kong with limited liability. Big Star is a property holding company holding the property at 14th Floor, McDonald's Building, 48 Yee Wo Street, Causeway Bay, Hong Kong, which is leased to our Company for use as our office premise. For details of the leasing of the abovementioned property, please refer to the section headed "Connected Transactions – Exempt Continuing Connected Transaction – Head Office Tenancy Agreement" in this prospectus. Big Star has no other business and operation other than holding of the above property.

As our Directors consider that it is in the best interest of our Group to focus on our principal business activities of operating ID photo booths and not on property investment, and that the business is entirely different from the businesses of our Group in terms of business nature, financial model and target industry, Big Star was not included in our Group. Our Directors are of the view that as Big Star is principally engaged in property investment, its business will not compete with that of our Group.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The table below summarises the shareholding of our operating subsidiaries immediately prior to the implementation of the Reorganisation:

Subsidiaries	Shareholders	Number of issued shares/Amount of registered capital (% shareholding)
Max Sight	Mr. Jamson Chan	2,293,000 (57.33%) <sup>(Note)</sup>
	Photo-Me	1,333,000 (33.33%)
	Mr. Jamson Chan and Ms. AY Ying Ho (as joint holders)	374,000 (9.35%)
	<b>Total:</b>	<b>4,000,000 (100.00%)</b>
MV Asset	Mr. Jamson Chan	1 (50.00%)
	Max Sight Holdings	1 (50.00%)
<b>Total:</b>		<b>2 (100.00%)</b>
Fullwise	Max Sight Holdings	573,250 (57.33%)
	Photo-Me	333,250 (33.33%)
	Big Star	93,500 (9.35%)
<b>Total:</b>		<b>1,000,000 (100.00%)</b>
Treasure Star	Mr. Timmy Chan	10,000 (100.00%)
<b>Total:</b>		<b>10,000 (100.00%)</b>
Max Sight International	Mr. Timmy Chan	9,999 (99.99%)
	Kwide Foong	1 (0.01%)
<b>Total:</b>		<b>10,000 (100.00%)</b>
GZ Max Sight	Max Sight	RMB700,000 (100.00%)
<b>Total:</b>		<b>RMB700,000 (100.00%)</b>

*Note:* Out of the 2,293,000 shares held under the name of Mr. Jamson Chan, 756,690 shares (representing 18.92% of the total issued share capital of Max Sight) was held by Mr. Jamson Chan on trust for the benefit of Mr. Cheung.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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In order to prepare for Listing, we underwent the Reorganisation which involved the following steps:

**(1) Incorporation of our Company and our offshore subsidiaries**

*Incorporation of our Company*

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 January 2017. At the time of its incorporation, our Company had an authorised share capital of HK\$380,000, divided into 38,000,000 Shares of HK\$0.01 each. Upon incorporation, one Share was issued and allotted to the initial subscriber for cash at par, which was then transferred to Mr. Timmy Chan on the same day. On 6 July 2017, Mr. Timmy Chan transferred his one Share to Causeway Treasure at par.

*Incorporation of Max Sight (BVI)*

Max Sight (BVI) was incorporated with limited liability in BVI on 27 January 2017. On the date of its incorporation, Max Sight (BVI) was authorised to issue 50,000 ordinary shares of a single class without par value. On the same day, one share was allotted, issued and credited as fully-paid to our Company. Max Sight (BVI) became a direct wholly owned subsidiary of our Company.

*Incorporation of Treasure Star (China)*

Treasure Star (China) was incorporated with limited liability in BVI on 27 January 2017. On the date of its incorporation, Treasure Star (China) was authorised to issue 50,000 ordinary shares of a single class without par value. On the same day, one share was allotted, issued and credited as fully-paid to our Company. Treasure Star (China) became a direct wholly owned subsidiary of our Company.

**(2) Incorporation of Causeway Treasure**

Causeway Treasure was incorporated with limited liability in BVI on 24 May 2017. At the time of its incorporation, Causeway Treasure was authorised to issue 50,000 ordinary shares of a single class without par value. On the same day, 4,725 shares (representing 47.25% of the total issued share capital of Causeway Treasure), 4,725 shares (representing 47.25% of the total issued share capital of Causeway Treasure) and 550 shares (representing 5.50% of the total issued share capital of Causeway Treasure) were allotted, issued and credited as fully-paid to Mr. Jamson Chan, Mr. Timmy Chan and Ms. AY Ying Ho, respectively.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### **(3) Acquisition of Max Sight, MV Asset and Fullwise by Max Sight (BVI) and Treasure Star and Max Sight International by Treasure Star (China)**

Pursuant to the Share Swap Agreement, the following acquisitions were carried out by Max Sight (BVI) and Treasure Star (China):

#### ***Acquisition of Max Sight by Max Sight (BVI)***

Immediately prior to the implementation of this step, Max Sight was beneficially owned as to approximately 38.41% by Mr. Jamson Chan, 18.92% by Mr. Cheung (held on trust by Mr. Jamson Chan for the benefit of Mr. Cheung), 9.35% by Mr. Jamson Chan and Ms. AY Ying Ho as joint holders and 33.33% by Photo-Me.

On 6 July 2017, Max Sight (BVI) acquired the entire issued share capital of Max Sight from Mr. Jamson Chan, Mr. Cheung, Mr. Jamson Chan and Ms. AY Ying Ho as joint holders and Photo-Me. In consideration of the transfer of the respective shareholding interest in Max Sight held by Mr. Jamson Chan, Mr. Cheung, Mr. Jamson Chan and Ms. AY Ying Ho as joint holders and Photo-Me to Max Sight (BVI), our Company allotted and issued 211,241 Shares to Causeway Treasure, 104,044 Shares to Mr. Cheung, 51,424 Shares to Causeway Treasure and 183,286 Shares to Photo-Me, credited as fully-paid, respectively.

Upon completion of this step, Max Sight (BVI) indirectly wholly-owns GZ Max Sight through Max Sight.

#### ***Acquisition of MV Asset by Max Sight (BVI)***

Immediately prior to the implementation of this step, MV Asset was held as to 50.00% by Mr. Jamson Chan and 50.00% by Max Sight Holdings.

On 6 July 2017, Max Sight (BVI) acquired the entire issued share capital of MV Asset from Mr. Jamson Chan and Max Sight Holdings. In consideration of the transfer of the respective shareholding interest in MV Asset held by Mr. Jamson Chan and Max Sight Holdings to Max Sight (BVI), our Company allotted and issued 1 Share and 1 Share to Causeway Treasure, credited as fully-paid, respectively.

#### ***Acquisition of Fullwise by Max Sight (BVI)***

Immediately prior to the implementation of this step, Fullwise was held as to approximately 57.33% by Max Sight Holdings, 9.35% by Big Star and 33.33% by Photo-Me.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 6 July 2017, Max Sight (BVI) acquired the entire issued share capital of Fullwise from Max Sight Holdings, Big Star and Photo-Me. In consideration of the transfer of the respective shareholding interest in Fullwise held by Max Sight Holdings, Big Star and Photo-Me to Max Sight (BVI), our Company allotted and issued 1 Share to Mr. Cheung, 1 Share to Causeway Treasure and 1 Share to Photo-Me, credited as fully-paid, respectively.

### *Acquisition of Treasure Star by Treasure Star (China)*

Immediately prior to the implementation of this step, Treasure Star was wholly-owned by Mr. Timmy Chan.

On 6 July 2017, Treasure Star (China) acquired the entire issued share capital of Treasure Star from Mr. Timmy Chan. In consideration of the transfer of the entire shareholding interest in Treasure Star held by Mr. Timmy Chan to Treasure Star (China), our Company allotted and issued 449,997 Shares to Causeway Treasure, credited as fully-paid.

### *Acquisition of Max Sight International by Treasure Star (China)*

Immediately prior to the implementation of this step, Max Sight International was owned as to 99.99% by Mr. Timmy Chan and 0.01% by Kwide Foong.

On 6 July 2017, Treasure Star (China) acquired the entire issued share capital of Max Sight International from Mr. Timmy Chan and Kwide Foong. In consideration of the transfer of the respective shareholding interest in Max Sight International held by Mr. Timmy Chan and Kwide Foong to Treasure Star (China), our Company allotted and issued 1 Share and 1 Share to Causeway Treasure, credited as fully-paid, respectively.

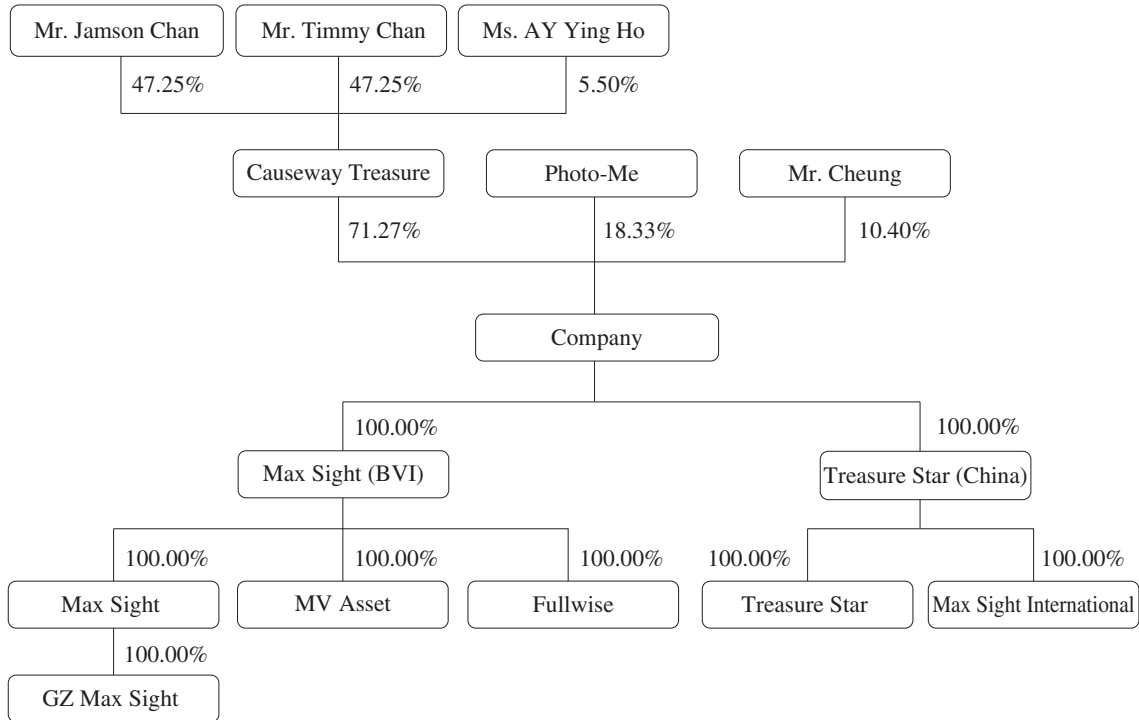
### *Shareholding in our Company upon completion of the Share Swap Agreement*

Immediately following completion of the Share Swap Agreement and the transfer of the one Share from Mr. Timmy Chan to Causeway Treasure and as at the Latest Practicable Date, 712,668 Shares (representing 71.27% of the total issued share capital of our Company), 183,287 Shares (representing 18.33% of the total issued share capital of our Company) and 104,045 Shares (representing 10.40% of the total issued share capital of our Company) were held by Causeway Treasure, Photo-Me and Mr. Cheung, respectively.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the shareholding structure of our Group immediately after the Reorganisation and before completion of the Capitalisation Issue and the Share Offer:



Mr. Cheung and Photo-Me have undertaken not to dispose of, directly or indirectly, any of the Shares held by them for a period of six months after the Listing, unless prior written consent has been obtained from our Company and the Joint Bookrunners, under the terms and conditions set forth in the undertakings.

The Shares held by Mr. Cheung and Photo-Me will not be counted as part of the public float of our Company given that Mr. Cheung is a non-executive Director of our Company and Photo-Me is a Substantial Shareholder of our Company and hence both of them are connected persons.

### THE CAPITALISATION ISSUE AND THE SHARE OFFER

#### Increase in the authorised share capital of the Company

In contemplation of the Share Offer, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 4,962,000,000 Shares, pursuant to the written resolutions of our Shareholders passed on 8 February 2018.

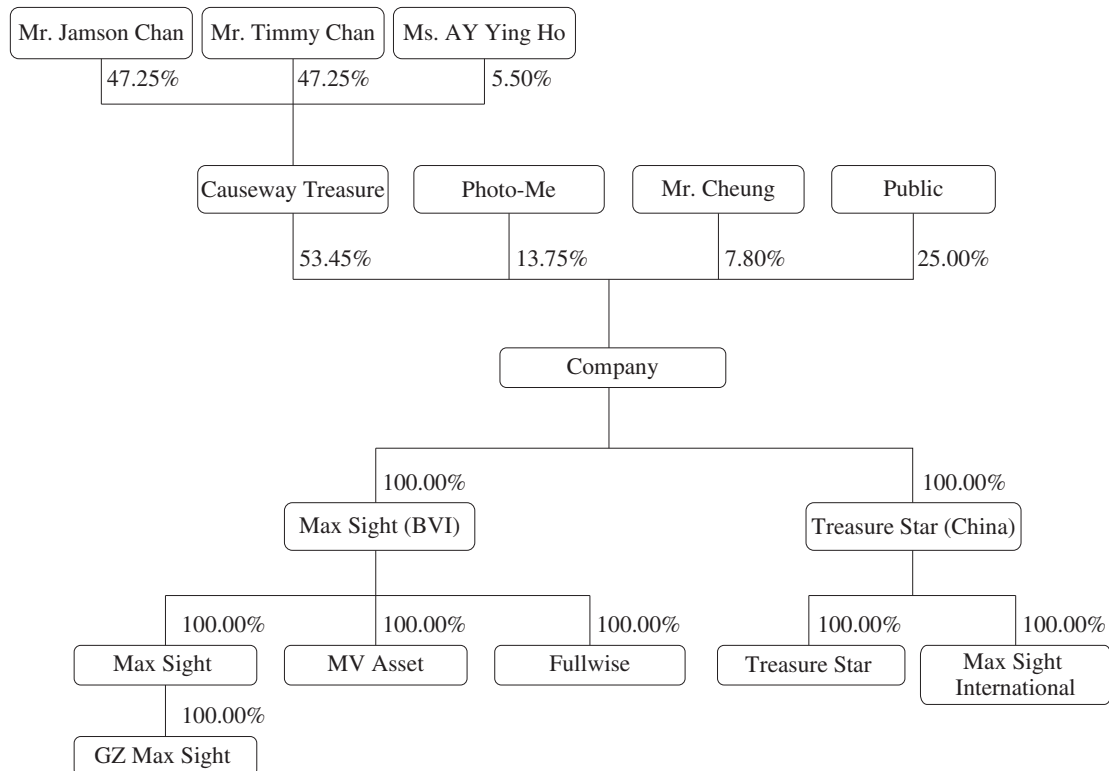
# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## Capitalisation Issue and the Share Offer

Conditional upon the grant of the listing approval for the Listing of and permission to deal in the Shares on GEM, the Company will offer 200,000,000 Shares, being an aggregate of 25% of the total issued share capital of our Company (as enlarged by the Shares offered under the Share Offer and Shares issued under the Capitalisation Issue, excluding the Shares which may be issued upon exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), for subscription by the public in Hong Kong and by placing with professional, institutional and private investors.

Conditional upon the share premium account of the Company being credited with the proceeds of the Share Offer, an appropriate sum will be capitalised and applied in paying up in full 599,000,000 Shares to be allotted and issued to the then existing Shareholders so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute 75% of the issued share capital of our Company.

The corporate structure of our Group immediately following the completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme are not exercised) is set out below:



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### ACTING IN CONCERT ARRANGEMENT OF OUR CONTROLLING SHAREHOLDERS

Each of Mr. Jamson Chan, Mr. Timmy Chan and Ms. AY Ying Ho, our Controlling Shareholders, has been acting in concert with each other in exercising and implementing the management and operation of our Group. Because we were a group of private entities in the past, these arrangements were not formalised in writing and Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan agreed on these arrangements based on their personal and/or family relationships. Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan have confirmed that the acting in concert arrangement with respect to each relevant subsidiary had subsisted since Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan became the legal or beneficial shareholders of the relevant subsidiaries. In preparation for the Listing, Mr. Jamson Chan, Mr. Timmy Chan and Ms. AY Ying Ho, executed the Deed of AIC Confirmation on 7 July 2017, details of which are set out in the section headed “Relationship with Controlling Shareholders and Substantial Shareholder – Our Controlling Shareholders – Acting in concert arrangements” in this prospectus.

### OVERVIEW

We are a leading automatic ID photo booth operator in Hong Kong and we operate an iconic brand “Max Sight Photo 名仕快相” and “名仕富美” for automatic ID photo booths in Hong Kong and Guangdong Province, respectively. Over our 27 years of operating history, we believe our brand has become synonymous with automatic ID photo booths.

Our target customers are consumers of the general public and our customer base in Hong Kong and the Guangdong Province is large and diverse. Our automatic ID photo booths are strategically located in prime locations of high footfall and/or where there may be ambient demand for digital ID photos which include ID Documentations Issuing Authorities, Railway and Airport, various universities, hospitals and shopping malls in Hong Kong and Guangdong Province. Due to the nature of our business, we do not rely on any single customer during the Track Record Period.

As at the Latest Practicable Date, we owned an aggregate of 214 automatic photo booths, of which 83 photo booths were in Hong Kong and were strategically located in the application centres of the PRC permits issuing authority and other various ID Documentations Issuing Authorities, over one-third of all metro stations, the Airport, as well as various universities and foreign embassies. We also operated 131 photo booths in Guangdong Province which spread across over one-third of all Guangzhou metro stations, various metro stations in Dongguan and Foshan, the application centres of PRC permits issuing authorities and the driving licence issuing authority as at the Latest Practicable Date. According to the F&S Report, the revenue generated by automatic ID photo booths in Guangdong Province increased from approximately RMB6.9 million in 2012 to approximately RMB30.8 million in 2016 and is expected to further increase to approximately RMB138.6 million in 2021, with a CAGR of approximately 37.0% from 2017 to 2021. We believe the automatic ID photo booth business has considerable expansion potential in the PRC.

Our success in the automatic ID photo booth industry in Hong Kong and Guangdong Province is also attributable to the Validation Technology of our photo booths for certain PRC Permit Photos. In 2010, we procured and operated the first batch of PRC Validation Photo Booths in Guangzhou which can validate photos for PRC Permit Photos. In 2012, we launched our HK Validation Photo Booths in Hong Kong with Validation Technology that we developed with the Technology Service Provider in Guangzhou. For details of our Validation Technology, please refer to the paragraph headed “Operation Flow of Our Photo Booths – Photo processing and printing – Validation Technology and Process” in this section below.

**OUR COMPETITIVE STRENGTHS**

We believe that our success is attributed to, among other things, the following competitive strengths:

**A leading automatic ID photo booth operator with an iconic brand in Hong Kong and Guangdong Province**

According to the F&S Report, we were a leading automatic ID photo booth operator in Hong Kong by the end of 2016. We took the lead to introduce the Validation Technology in Hong Kong and is one of the pioneers in launching such technology in Guangdong Province, according to the F&S Report. We operate an iconic brand “Max Sight Photo 名仕快相” and “名仕富美” for automatic ID photo booths in Hong Kong and the Guangdong Province, respectively. Over our 27 years of operating history, we believe our brand has become synonymous with automatic ID photo booths. We believe we have successfully built our brand to represent high quality ID photos matching the Specification Requirements. Our brand is built on our persistence in operating convenient, efficient and quality automatic ID photo booths in Hong Kong and Guangdong Province. We attribute the strength of our brand in part to our strategic selection of sites for our photo booths which can provide accessible and reasonably-priced photos to our customers. For details, please refer to the paragraph headed “Operation of ID photo booths strategically located in prime locations of high footfall and/or where there are ambient demand for ID photos” in this section below.

Our Directors believe that due to the long operating history and the leading market position of our Group in providing ID photo service, we have attracted business opportunities from and maintained relationships with our lessors including various ID Documentations Issuing Authorities, Railway and Airport. With our experience in the industry, we have been able to provide services that satisfy the Specification Requirements of various ID photos and keep pace with both the changing requirements on ID photos and the accelerating technological advancement in ID photo booths and our Directors consider we will continue to do so in the foreseeable future. According to F&S Report, the entry barrier for new entrants is high, which requires resources for procuring, installing and maintaining ID photo booths. As such, we believe that our Group has a competitive edge enabling us to maintain our business relationships and to coordinate with various lessors including ID Documentations Issuing Authorities, Railway and Airport.

**Operation of ID photo booths strategically located in prime locations of high footfall and/or where there are ambient demand for ID photos**

As the market leader in operating automatic ID photo booths in Hong Kong, our customers are able to benefit from the accessibility of our photo booths. Our automatic ID photo booths are generally sited in areas of high footfall and/or where there may be ambient demand for ID photos, for instance, premises of ID Documentations Issuing Authorities, railway stations and Airport. As at the Latest Practicable Date, we installed and operated 83 photo booths in Hong Kong which are strategically located in convenient locations such as the

application centres of the PRC permits issuing authority, the travel document issuing offices of a government related ID Documentations Issuing Authority and over one-third of all metro stations. As at the Latest Practicable Date, we also operated 131 photo booths in Guangdong Province which spread across over one-third of all Guangzhou metro stations, various metro stations in Dongguan and Foshan, the application centres of PRC permits issuing authorities and driving licence issuing authority. As the vast majority of our photo booths in Guangdong Province are located in metro stations and are easily accessible, customers can use our photo booths not only to take ID photos for official ID documentations, but also for other documents such as student card, library card and resume, according to the F&S Report. For details of our ID photo booth network in Hong Kong and Guangdong Province, please refer to the maps under the paragraph headed “Network of Our Photo Booths” in this section below.

### **Our established business relationship with the PRC permits issuing authority in Hong Kong**

Our success is also attributable to our established business relationship with the PRC permits issuing authority in Hong Kong which provides us with a solid foundation to further increase our market share and enhance our competitiveness in the industry.

Our collaboration with the PRC permits issuing authority in Hong Kong dates back to 1998 when the relevant PRC government authority raised the standard for Specification Requirements and our Group was awarded the contract based on our ability to provide satisfactory ID photos. Under our first contract with the PRC permits issuing authority in Hong Kong, we installed and operated the first batch of automatic ID photo booths in their permit application centres in Hong Kong. With our proven track record of providing satisfactory ID photos, in 2010, under the permission of the PRC permits issuing authorities in Guangdong Province, we procured and operated the first batch of PRC Validation Photo Booths in their premises in Guangdong Province which can validate photos for PRC ID card, PRC driving licence, PRC passport, Residence Card of Guangdong Province (廣東省居住證) and Exit-Entry Permit to Hong Kong and Macau (內地居民往來港澳通行證). In 2012, we also launched our HK Validation Photo Booths with Validation Technology that we developed with the Technology Service Provider to validate photos for Home Visit Permit (港澳居民來往內地通行證) and Exit-Entry Permit to Hong Kong and Macau (內地居民往來港澳通行證) which photo booths were installed and operated in the application centres of the PRC permits issuing authority in Hong Kong and ensure the photos taken comply with the Specification Requirements. With our proven track record of operating Validation Photo Booths, we believe the photos we provide will continue to satisfy the Specification Requirements which may change from time to time. According to the F&S Report, we took the lead to introduce the Validation Technology in Hong Kong and are one of the pioneers in introducing such technology in Guangdong Province.

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## BUSINESS

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### **Experienced management team with a proven track record in operating our business**

We believe that a stable and dedicated management team is crucial to the operation of our business. The key members of our senior management team have extensive experience in the automatic photography industry, and have been with our Group for an average of 11 years. Mr. Jamson Chan, the founder of our Group and our executive Director, has around 27 years of experience in the automatic photography industry. Throughout the years of development of our Group, Mr. Jamson Chan has continued to oversee overall business operation and business strategic planning of our Group. Our executive Director, Mr. Timmy Chan has around 21 years of experience in the automatic photography industry and he has managed the overall business operation and executed the business strategies of our Group. Our Group also benefits from the photo booth operation advice provided by our non-executive Director, Mr. Riccardo Costi, who has over 35 years of experience in the automatic photography industry. Please refer to the section headed “Directors and Senior Management” in this prospectus for further details and biographies of our Directors and senior management.

### **OUR STRATEGIES**

We intend to further penetrate into the automatic ID photo booth market in Guangdong Province and to maintain our leading position as an automatic ID photo booth operator in Hong Kong by implementing the following strategies:

#### **Replicate the success of our business model in Hong Kong to the Guangdong Province**

According to the F&S Report, the revenue generated by automatic ID photo booths in the PRC is expected to increase from approximately RMB0.3 billion in 2016 to approximately RMB1.5 billion in 2021, representing a CAGR of approximately 35.4%.

We believe that there will be sufficient market demand in Guangdong Province to justify the Group’s expansion as there will be increasing demand for automatic ID photo booths at various sites available for such installation. According to F&S Report, along with the convenience and improving market perception of automatic photo booths, the revenue of ID photo service market generated by automatic photo booths is estimated to further increase. By 2021, it is forecasted that the market penetration of automatic photo booths in the ID photo service market in Guangdong Province in terms of revenue will reach approximately 14.5% such that the revenue of ID photo service market generated by the business of automatic photo booths is anticipated to increase from approximately RMB30.8 million in 2016 to RMB138.6 million in 2021 at a CAGR of approximately 35.1% from 2016 to 2021, which are mainly driven by various factors, including continuing urban population growth in the PRC, increasing number of outbound travel of Chinese, increasing number of driving license holders and motor vehicle consumption, and also the technology innovation of automatic photo booths that could provide convenient ID photos. For details, please refer to the section headed “Industry Overview – Market Driver Analysis of the ID Photo Service Market in China” in this prospectus.

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## BUSINESS

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According to F&S Report, it is forecasted that the total number of available sites including but not limited to, ID Documentations Issuing Authorities such as vehicle administration offices, exit and entry administration offices, police stations and community service centres; new stations set up pursuant to the expansion of urban rail transportation network; driving schools; hospitals and civil affairs administration offices where automatic ID photo booth could be placed in Guangdong Province will exceed 6,700 by 2021. ID Documentations Issuing Authorities in the PRC, such as the PRC Public Security Bureau have not authorised any units or individuals to collect any ID photos taken by mobile phones and mobile applications for the purpose of applying for relevant PRC ID documentations. As at the Latest Practicable Date, we operated 131 ID photo booths in Guangdong Province. We intend to further expand our business operation in selected cities of Guangdong Province after our careful selection of sites. For details, please refer to the paragraph headed “Our Operation Flow – Selection of sites” in this section. Our selection criteria for selecting the sites to establish new ID photo booths are (i) densely-populated and high-traffic locations where we can attract more customers, including railway stations, government authorities, shopping malls and supermarket chains; (ii) branches of PRC Public Security Bureau which accept application for PRC resident ID card, Exit-Entry Permit to Hong Kong and Macau, PRC passport and PRC driving licence and/or sites proximate to passport, permits or visa application centres where there may be ambient demand for ID photos; and (iii) hospitals where patients’ photos are required on the medical examination reports. Our Directors confirmed that our expansion plan is economically justified and supported by feasibility studies, which include but not limited to, conducting research on the potential demand for instant photos, conducting site visits to observe foot-traffic, projecting income from operation of photo booths at the site for a period of three years, and operating costs for maintaining photo booths at the site for a period of three years.

As part of our expansion plans in Guangdong Province, we also intend to deepen our collaboration with Prestige Technology. In July 2017, we entered into a collaboration agreement with Prestige Technology pursuant to which we will jointly operate the permits application/photo-taking machines in the relevant ID Documentations Issuing Authorities in Guangdong Province. During the period from 1 July 2017 to 31 December 2021, Prestige Technology and our Group target to place 1,300 photo booths adjacent to Prestige Technology’s permits application/photo-taking machines and/or permit application machines in the relevant ID Documentations Issuing Authorities. For details of the agreement with Prestige Technology, please refer to the paragraphs headed “Network of Our Photo Booths – Collaboration with Prestige Technology” in this section below.

Moreover, we also intend to replace our older model photo booths without Validation Technology function with newer model photo booths with such function to increase our competitiveness, depending on the conditions and functionalities of the photo booths. We have upgraded 40 leased photo booths without Validation Technology to PRC Validation Photo Booths in Guangzhou during the Track Record Period and have no plan to make further replacements in 2018 to 2020.



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## BUSINESS

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The following table sets out our plan to add new photo booths and upgrade our existing photo booths in Guangdong Province from 31 December 2017 to 31 December 2020:

<b>Locations in Guangdong Province</b>	<b>Total number of existing photo booths as at 31 December 2017</b>	<b>Number of new photo booths to be added from 31 December 2017 to 31 December 2020</b>	<b>Estimated total number of photo booths as at 31 December 2020</b>
ID Documentations Issuing Authorities	13	250 <sup>(Note)</sup>	263
Railway	109	95	204
Others	2	45	47
	<u>124</u>	<u>390</u>	<u>514</u>

*Note:* The 250 new photo booths to be installed at the ID Documentations Issuing Authorities in Guangdong Province are mainly consisted of permits application/photo-taking machines and/or photo booths to be placed adjacent to Prestige Technology's permit application machines pursuant to the collaboration agreement with Prestige Technology.

### **Maintain our competitiveness in Hong Kong through continued market penetration**

We continuously search for potential opportunities in expanding our automatic ID photo booth network by identifying high-traffic areas that will give us access to a large number of customers who require ID photos. Our selection criteria include accessibility of location, locations of ID Documentations Issuing Authorities, price of rental, footfall and existing service providers in the neighbourhood. As accessibility and convenience for our customers is one of the main considerations for selecting the locations of our new ID photo booths, we plan to extend our reach at metro stations and will continue to explore photo booth sites in other areas, such as shopping malls, in the future. We plan to expand into five, five and two additional sites for the years ending 31 December 2018, 2019 and 2020, respectively. In addition, we believe upgrading our ID photo booths by way of replacement can enhance customers' experiences and satisfaction, thereby increasing both new and returning customer traffic. Generally, we would consider replacing our existing ID photo booths every five to eight years, depending on the conditions and the functionalities of the photo booths, to continuously improve the operation efficiency of our photo booths. In particular, we have replaced ten photo booths in Hong Kong for the year ended 31 December 2017. Our Group has replaced all the photo booths which needed replacement or upgrading for the year ended 31 December 2017 and has no plan to make further replacements in 2018 to 2020.

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## BUSINESS

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The following table sets out our plan to add new photo booths and upgrade our existing photo booths in Hong Kong from 31 December 2017 to 31 December 2020:

<b>Locations in Hong Kong</b>	<b>Total number of existing photo booths as at the 31 December 2017</b>	<b>Number of new photo booths to be added from 31 December 2017 to 31 December 2020</b>	<b>Estimated total number of photo booths as at 31 December 2020</b>
ID Documentations Issuing			
Authorities	40	–	40
Railway and Airport	38	12	50
Others	5	–	5
	<u>83</u>	<u>12</u>	<u>95</u>

### **Upgrade our validation centre and IT infrastructure**

We believe that our success is partly attributable to the Validation Technology that we adopted in our business operations in Guangdong Province and Hong Kong. We intend to upgrade our validation centre by acquiring newer model equipment to support our business expansion. In addition, we intend to upgrade our server in Hong Kong and set up an office intranet to facilitate our business operation. We also intend to upgrade our office IT infrastructure in Guangdong Province.

Please refer to the section headed “Statement of Business Objectives and Use of Proceeds – Implementation Plans” in this prospectus for further details of the use of proceeds.

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## BUSINESS

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### OUR PRODUCTS

The functionalities of our ID photo booths vary and are capable of producing digital and instant ID photos with different specifications. The following sets forth the general types of photos our photo booths can produce:

Photo size/specifications	ID documentations	Price range
48 X 33 mm	<ul style="list-style-type: none"><li>• PRC Home Visit Permit (PRC)</li><li>• Hong Kong Exit-Entry Permit</li><li>• PRC Passport</li></ul>	<i>Hong Kong:</i> ID photo: HK\$30/40/50/60 (per strip) Fun photo: HK\$10/30/40 (per strip)
50 X 40 mm	<ul style="list-style-type: none"><li>• Hong Kong passport</li></ul>	
32 X 22 mm	<ul style="list-style-type: none"><li>• PRC driver's licence</li></ul>	<i>Guangdong Province:</i>
51 X 51 mm or 50 X 50 mm	<ul style="list-style-type: none"><li>• US passport and visa</li></ul>	ID photo: RMB20/30/35 (per strip)
45 X 35 mm	<ul style="list-style-type: none"><li>• Taiwan visa and passport</li><li>• UK passport</li><li>• Australia visa and passport</li></ul>	Fun photo: RMB10/20 (per strip)
32 X 26 mm	<ul style="list-style-type: none"><li>• PRC resident ID card</li><li>• Guangdong Province Residence Card</li></ul>	
55 X 45 mm	<ul style="list-style-type: none"><li>• Standard documentation photo</li></ul>	

*Note:* Order arranged in terms of respective revenue contribution from highest to lowest.

PRC Permit Photos are subject to Specification Requirements and shall pass the specified validation process before use. Our Group is able to meet the relevant authority's requirements of PRC Permit Photos by (i) collaborating with the Technology Service Provider to develop the relevant Validation Technology, which was installed in our HK Validation Photo Booths; and (ii) purchasing PRC Validation Photo Booths from an independent photo booth vendor which is also one of our suppliers of photo booth consumables, i.e. Supplier A. For details of the Validation Technology and our Validation Photo Booths, please refer to the paragraph headed "Operation Flow of our Photo Booths – Photo processing and printing – Validation Technology and Process" in this section below.

### NETWORK OF OUR PHOTO BOOTHS

Network of our ID photo booths serves the general public in Hong Kong and Guangdong Province. The photo booths of our Group are operated in the premises of (i) ID Documentations Issuing Authorities, including the PRC permits issuing authority and foreign embassies; (ii) Railway and Airport; and (iii) others in Hong Kong and Guangdong Province.

## BUSINESS

The following table sets forth the breakdown of our revenue by different categories of the lessors for the periods indicated:

	Year ended 31 December				Eight months ended 31 August			
	2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
ID Documentations								
Issuing Authorities	40,073	80.5	37,472	79.0	26,190	79.9	24,182	76.1
Railway and Airport	9,183	18.5	9,634	20.3	6,356	19.3	7,380	23.2
Others <sup>(Note)</sup>	497	1.0	347	0.7	253	0.8	233	0.7
<b>Total</b>	<b>49,753</b>	<b>100.0</b>	<b>47,453</b>	<b>100.0</b>	<b>32,799</b>	<b>100.0</b>	<b>31,795</b>	<b>100.0</b>

*Note:* Others mainly include universities and shopping malls in Hong Kong and hospitals and a shopping mall in Guangzhou.

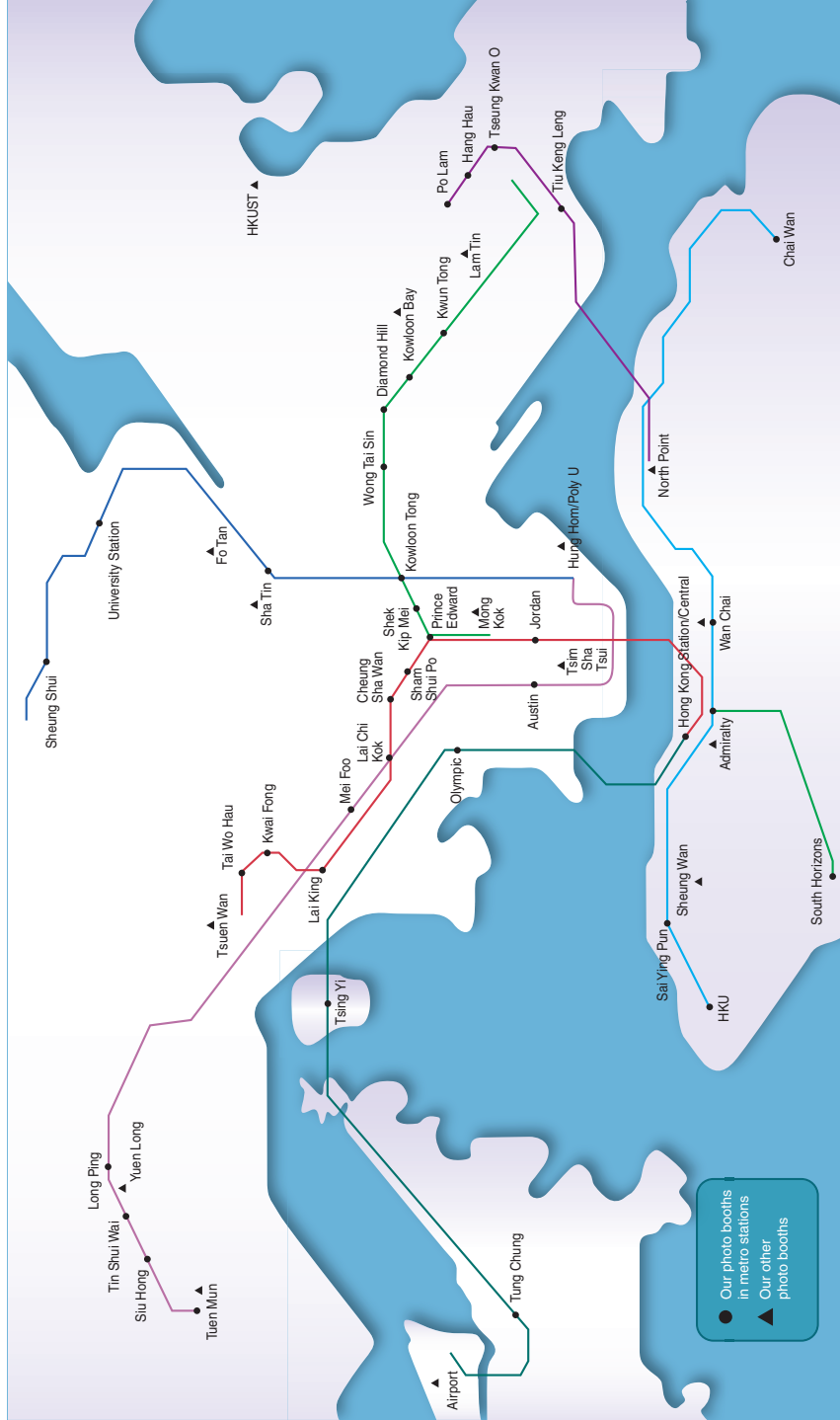
The following tables illustrate, for the periods indicated, (i) the total number of ID photo booths in Hong Kong and Guangdong Province, respectively, and (ii) the geographical breakdown of our total revenue generated by self-owned or leased photo booths in Hong Kong and Guangdong Province:

Geographical location	Year ended 31 December						Eight months ended		
	2015			2016			31 August 2017		
	Number of ID photo booths	Revenue HK\$'000	% of revenue	Number of ID photo booths	Revenue HK\$'000	% of revenue	Number of ID photo booths	Revenue HK\$'000	% of revenue
Hong Kong									
– Self-owned photo booths	71	44,099	88.6%	80	41,725	87.9%	82	27,931	87.8%
Guangdong Province									
– Self-owned photo booths	26	3,780	7.6%	26	4,170	8.8%	57	3,165	10.0%
– Leased photo booths <sup>(Note)</sup>	40	1,874	3.8%	40	1,558	3.3%	37	699	2.2%
	66	5,654	11.4%	66	5,728	12.1%	94	3,864	12.2%
<b>Total</b>	<b>137</b>	<b>49,753</b>	<b>100%</b>	<b>146</b>	<b>47,453</b>	<b>100%</b>	<b>176</b>	<b>31,795</b>	<b>100%</b>

*Note:* As at the Latest Practicable Date, we have replaced all leased photo booths from the Photo-Me Group with our self-owned photo booths.

The maps below indicate the existing network of our ID photo booths in Hong Kong and Guangdong Province, respectively as at 31 December 2017:

**Hong Kong:**

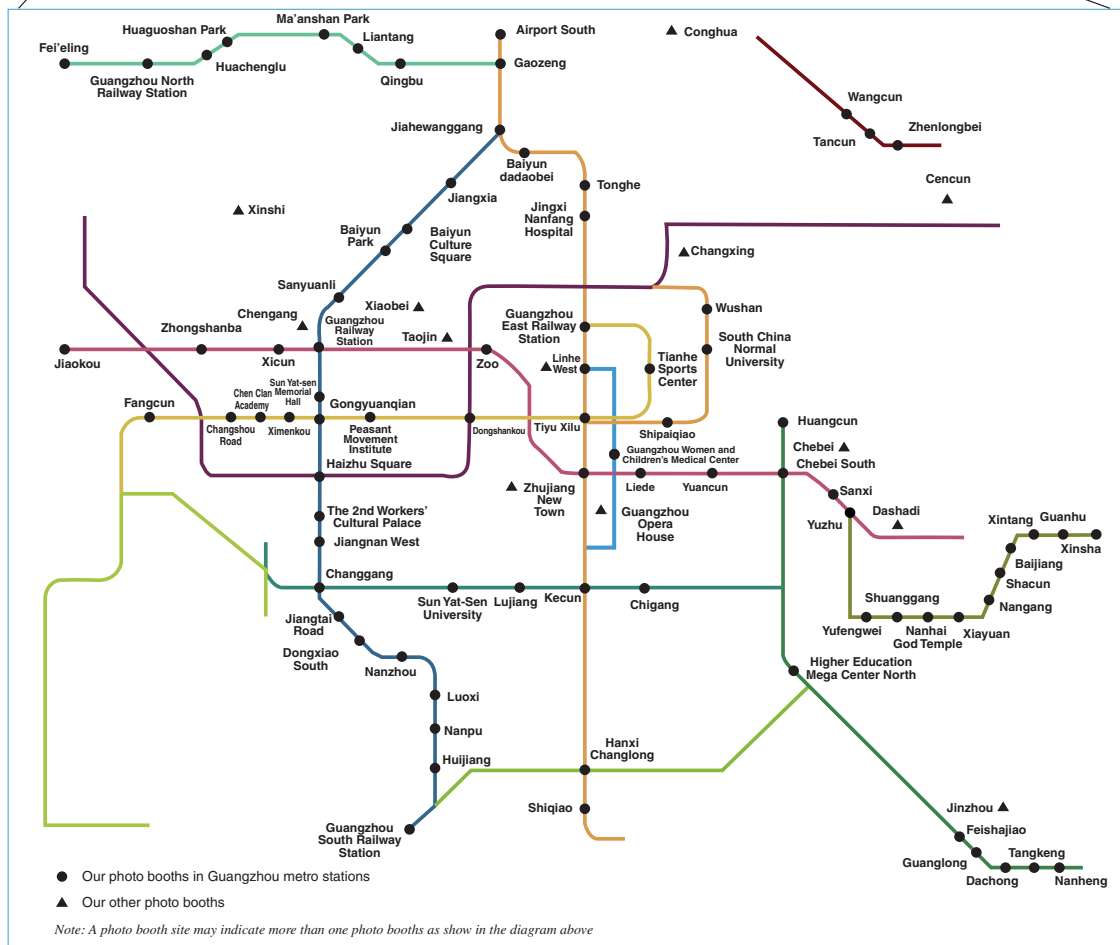


Note: A photo booth site may indicate more than one photo booths as shown in the diagram above

Guangdong Province:



Note: ▲ Indicates locations where the Group has business operation as at 31 December 2017



As at the Latest Practicable Date, we have (i) entered into an agreement with a term of three years with the railway corporations in Foshan and Dongguan, Guangdong Province, respectively. Pursuant to such contracts, we have installed and operated photo booths in 21 Foshan metro stations and six Dongguan metro stations, respectively; and (ii) entered into contract with a railway corporation in Guangzhou to install and operate photo booths in 38 new metro stations in Guangzhou. Pursuant to such contract, we have installed and operated photo booths in 34 new metro stations in Guangzhou as at the Latest Practicable Date.

### **Collaboration with Prestige Technology**

Prestige Technology is a company incorporated under the laws of the PRC in January 2012. It operates PRC permits application machines for PRC resident ID cards in certain ID Documentations Issuing Authorities in Guangdong Province. With our entrenched position in the market in offering ID photo service, Prestige Technology approached our Group in 2013 and envisaged the business opportunity of collaborating with our Group to offer an all-round experience to PRC permits applicants by positioning our ID photo booths adjacent to their PRC permit application machines in the relevant PRC public security authorities in Guangzhou. To the best knowledge of our Directors and upon reasonable enquiries with Prestige Technology, Prestige Technology collaborated with us shortly after its incorporation in 2012, and our Directors are not aware of any collaboration between Prestige Technology and other automatic ID photo booths operator since its incorporation and up to the Latest Practicable Date.

In May 2013, we entered into an agreement with Prestige Technology (the “**2013 Agreement**”) under which we complemented their services by positioning our ID photo booths adjacent to their PRC permit application machines at four premises of the relevant PRC public security authorities in Guangzhou during the Track Record Period, so that the applicants of PRC permits are able to take ID photos for their permits application during the same visit. In July 2017, our collaboration with Prestige Technology has expanded into six premises under the 2013 Agreement. Pursuant to the 2013 Agreement, the revenue generated was shared based on an agreed percentage between our Group and Prestige Technology. To the best knowledge of our Directors upon reasonable enquiries with Prestige Technology, as at the Latest Practicable Date, Prestige Technology has entered into several long-term contracts (for instance, ten years) with the several PRC public security authorities pursuant to which Prestige Technology is allowed to operate the PRC permit application machines in the relevant authorities’ premises in certain cities of Guangdong Province, although Prestige Technology is not an exclusive PRC permits application machines operator to the relevant PRC public security authorities in Guangdong Province. Other than this, to the best knowledge of our Directors upon reasonable enquiries with Prestige Technology, they are not aware of any other business, financial, shareholding, management, employment and other relationships and transactions between Prestige Technology and the relevant PRC authorities.

In July 2017, we entered into a new collaboration agreement with Prestige Technology (the “**2017 Agreement**”) which superseded the 2013 Agreement. Under the 2017 Agreement, we will jointly operate the permits application/photo-taking machines with Prestige Technology with revenue-sharing arrangement, including the agreed percentage of fee split, similar to that of the 2013 Agreement. Leveraging on the business relationships between Prestige Technology and the relevant PRC public security authorities, our Group is allowed to install and operate the new permits application/photo-taking machines in the relevant authorities’ premises in certain cities of Guangdong Province and our Directors consider such business opportunity for extension of operation network as a new source of revenue of our business. It is expected that our collaboration with Prestige Technology will bring positive financial impacts to our Group.

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The following table sets forth the major terms of the 2017 Agreement:

Term:	20 years
Exclusivity:	Collaboration between our Group and Prestige Technology under the 2017 Agreement is exclusive in nature. As such, our Group supplies photo booths to Prestige Technology exclusively and Prestige Technology engages our Group as their exclusive photo booth supplier.
Our Group's responsibility:	<ul style="list-style-type: none"><li>(i) provide standalone photo booths to be positioned adjacent to Prestige Technology's permit application machines in ID Documentations Issuing Authorities in Guangdong Province (the "Sites") subject to the agreements between Prestige Technology and the relevant PRC public security authorities; and/or collaborate with Prestige Technology for the launch of the permits application/photo-taking machines at the Sites.</li><li>(ii) the parties aim to place 1,300 photo booths adjacent to the permits application/photo-taking machines and/or permit application machines during the period from 1 July 2017 to 31 December 2021.</li><li>(iii) photo booths shall be placed in batches, with each batch of photo booths not exceeding 150 units; except for the first batch of photo booths which is unconditionally guaranteed to be placed, the placement of each subsequent new batch of photo booths would depend on whether the average monthly revenue generated from the previous placed batch of photo booths will meet the pre-agreed revenue target per unit. Our Group may, at its sole discretion, determine the timetable for placing of the next batch of photo booths until the previous batch of photo booths meets the pre-agreed revenue target per unit. The actual time, number and location of photo booths for each placement shall be mutually determined and agreed by our Group and Prestige Technology before delivery, provided that the aforesaid pre-agreed revenue target is met.</li></ul>
Repair and maintenance:	Our Group will be responsible for the repair and maintenance of the photo-taking parts in the permits application/photo-taking machines whereas Prestige Technology will repair and maintain the parts relating to permits application.



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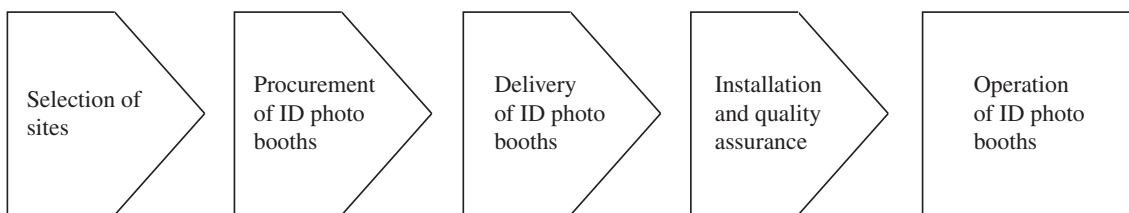
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### Revenue sharing:

Our Group is responsible for collecting the proceeds generated from our Group's photo booths and the permits application/photo-taking machines jointly operated by our Group and Prestige Technology on a monthly basis. After performing accounting procedures, our Group will issue a notice to Prestige Technology setting forth the proceeds collected and the deductible costs including relevant taxes and operational costs. Upon receiving Prestige Technology's written confirmation, we will deduct the above deductible costs from the total proceeds and share the net proceeds equally with Prestige Technology on a monthly basis. Prestige Technology does not charge the end-users any fees for use of its permit application machines, and hence the operation of such machines alone is not revenue-generating.

It is expected that the expansion of our network of photo booths with Prestige Technology in Guangdong Province under the 2017 Agreement will be partly funded by the net proceeds from the Share Offer as well as partly through our internal resources and/or bank borrowings, it will have an impact on the cash flow of our Group. Please refer to the section headed "Business – Our strategies" in this prospectus. The costs structure of our Group will also change upon the acquisition of new photo booths as our Group will incur additional depreciation expenses. If such expansion plan cannot generate as much revenue as we have planned, the increase in depreciation costs may have negative impacts on the cash flow, profit margin and profitability of our Group. Please refer to the sub-section headed "Risk Factors – Our capital expenditure in relation to the expansion plans could have an impact on our costs structure and cash flows which could adversely affect our financial condition and results of operation, and that our revenue and profit may not increase proportionally to our expansion" in this prospectus.

### OUR OPERATION FLOW



#### Selection of sites

Selection of sites is one of the most important marketing strategies of our Group. Our management carefully plans the locations of the ID photo booths to ensure our new photo booths are economically justified and strategically located by selecting sites that are distributed in (i) densely-populated and high-traffic locations where we can attract more customers, including railway stations, government authorities, shopping malls and supermarket chains; (ii) sites with high potential demand for ID photos, such as branches of the PRC Public Security Bureau which accept application for PRC resident ID card, Exit-Entry Permit to Hong Kong and Macau, PRC passport and PRC driving licence and/or sites proximate to passport, permits or visa application centres where there may be ambient demand for ID photos; and (iii)

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hospitals where patients' photos are required on the medical examination reports. We prioritise our selection of sites at or in proximity to (i) ID Documentations Issuing Authorities; (ii) major transportation hubs and transit stations; (iii) major commercial area; and (iv) major residential area, where there are high demand for automatic ID photo booth by general public to apply for relevant PRC permits/documentations. Moreover, we will conduct feasibility studies prior to confirmation of new sites, including but not limited to, conducting research on the potential demand for instant photos, conducting site visits to observe foot-traffic, projecting income from operation of photo booths at the site for a period of three years, and operating costs for maintaining photo booths at the site for a period of three years.

The lessors which grant us the use of premises on which we install and operate our ID photo booths include ID Documentations Issuing Authorities, Railway and Airport, various universities and shopping malls in Hong Kong and hospitals and a shopping mall in Guangzhou. As at the Latest Practicable Date, we had maintained an average of over twenty years of business relationship with the major lessors and we entered into contractual arrangements with the lessors through either (i) direct negotiation with the lessors, or (ii) participation in public tender. During the Track Record Period, our revenue generated from premises leased through (i) direct negotiation with lessors amounted to approximately HK\$37.4 million, approximately HK\$35.0 million and approximately HK\$23.0 million, respectively, representing approximately 75.1%, 73.7% and 72.3% of our total revenue during the same periods; and (ii) public tender amounted to approximately HK\$12.4 million, HK\$12.5 million and HK\$8.8 million, respectively, which accounted for approximately 24.9%, 26.3% and 27.7% of our total revenue during the Track Record Period. For the Track Record Period, the fixed minimum lease and licensing payment for the operating lease in respect of land and buildings was approximately HK\$8.2 million, HK\$8.3 million and HK\$6.1 million, respectively. On the other hand, for the Track Record Period, the contingent lease and licensing payment for the operating lease in respect of land and buildings was approximately HK\$15.5 million, HK\$13.9 million and HK\$8.7 million, respectively. Apart from the contracts with one of the government related ID Documentations Issuing Authorities in Hong Kong and the railway corporations in Hong Kong and Guangdong Province, we established relationship with the rest of the lessors including the Airport through direct commercial negotiations. In 1998, in anticipation of the opening of the new Airport, our Group entered into a licence agreement with the relevant authority of the Airport after arm's length negotiations in relation to the placing of our ID photo booths in their premises as part of the new Airport's ancillary facilities.

For the relevant government related ID Documentations Issuing Authorities in Hong Kong, the tender process commences when the government related ID Documentations Issuing Authority in Hong Kong publishes tender notices in the Government Gazette inviting tender applications. The tender notice includes offer terms to be bound by the tender applicants and specifies the deadline for submitting the tender applications. Upon the submission of the documents required, the government will consider various factors and issue a letter of acceptance to the tender applicants when it considers appropriate. With our well-established reputation in the automatic photography industry in Hong Kong, we have started to cooperate with the PRC permits issuing authorities in Guangzhou and operated our PRC Validation Photo Booths in the premises of PRC permits issuing authorities in Guangdong Province after direct negotiations with the affiliates of the relevant authorities since 2012. Since then, we cooperated with further PRC permits issuing authorities in Guangdong Province through our business partner, Prestige Technology.

Our relationship with the railway corporations in Hong Kong and Guangzhou began in 1989 and 2006 respectively when we entered into an agreement with each of them for the installation and operation of our photo booths in their metro stations and railway stations after arm's length negotiation.

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The following sets forth the salient terms of the agreements we entered into with the lessors:

### **Contractual terms with the lessors**

Duration of the agreements:	Some agreements operate on a continuous basis, such as those entered into with the foreign embassies in Hong Kong while other agreements contain a fixed term generally ranging from one to approximately six years, for example, the current agreement with the PRC permits issuing authority in Hong Kong has a fixed term of five years effective until the end of 2019.
Site location:	The agreements generally provide the address and/or site area which our Group is entitled to use for installing and operating the ID photo booths.
Pricing:	The price of instant ID photos (per strip) may or may not be fixed in the agreement. For example, the price of ID photos (per strip) is agreed and stated in the agreement with the PRC permits issuing authority in Hong Kong. Certain lessors, including the PRC permits issuing authority in Hong Kong, require subsequent price adjustments which would be agreed between the parties.
Payment to lessors:	Subject to certain lessors' requirements, our Group is required to pay (i) certain fixed amount or (ii) a certain fixed percentage of the gross or net sales income generated by the ID photo booths to the lessors on a monthly basis for occupying their premises for installation and operation of the ID photo booths. Some of the foreign embassies accept payment calculated in accordance with (i) above while the PRC permits issuing authority in Hong Kong accept payment calculated in accordance with (ii) above. Such monthly fees can either be one of the aforementioned options or whichever is higher. The percentage of revenue shared between our Group and the PRC permits issuing authority in Hong Kong has not been changed over our 20 years of cooperation, which was determined on an arm's-length basis taking into consideration of the potential demand for ID photos in the premises of the PRC permits issuing authority in Hong Kong and our revenue sharing arrangements with other ID Documentations Issuing Authorities.

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### **Contractual terms with the lessors**

Certain lessors require us to pay contract deposits in advance to guarantee the due punctual and diligent performance of our Group under the agreements. The paid deposits will be refunded to our Group upon the expiration of the agreements subject to conditions including there being no arrears of monthly fees payable by our Group and no breach of any terms and conditions of the agreements by our Group.

- Settlement period: Our Group is generally required to settle the monthly fees to the lessors five to 15 days from the date it is due. For example, the PRC permits issuing authority in Hong Kong requires payment to be settled within 10 days from the due date.
- Exclusivity: Save for our Group's exclusive right to operate ID photo booths in the government related ID Documentations Issuing Authority in Hong Kong and PRC permits issuing authority in Hong Kong during the respective contract term, our Group does not have the exclusive right to operate photo booths in the respective premises of other lessors.
- Indemnity: Certain lessors require us to indemnify the lessors fully against all loss, damage, injury, death, claims, actions, costs and expenses suffered by the lessors in connection with our business activities.
- Termination and renewal: For agreements without a fixed term, termination of agreements can be effected by either party serving termination notice on another in advance.
- For agreements with a fixed term, the agreements terminate on the expiry of the fixed term or in the event of default. There is no automatic renewal clause for agreements with a fixed term. For details of the licence period granted by the lessors under the relevant agreements, please refer to "Appendix V – Statutory and General Information – B. Further Information About Our Business – 3. Licensed sites" to this prospectus.

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### **Contractual terms with the lessors**

The agreements can generally be terminated in the event of default, including, for example:

- information included in the business proposals to the lessors proved to be incomplete, untrue or misleading in any material respect;
- any member of our Group goes into liquidation proceedings or experiences material adverse change in the financial condition;
- our Group breaches any terms and conditions of the agreements and fails to remedy the breaches within the prescribed period after written request by the lessor(s); and
- our Group fails to pay management fees and/or monthly fees within the specified period.

Certain agreements, including our agreement with the PRC permits issuing authority in Hong Kong, can also be automatically terminated if (i) we fail to provide ID photos which satisfy the Specification Requirements and fail to take remedial actions within 30 days from receipt of notice from the lessors; (ii) under circumstance where the photo specifications are adjusted, we fail to provide ID photos which satisfy the Specification Requirements within 60 days from receipt of notice from the lessors; (iii) there is any change in policies or arrangements causing the photos taken from our photo booths unfit for adoption; and (iv) the PRC permits issuing authority is no longer authorised by the relevant authority in the PRC to issue the PRC permits.

**Procurement of ID photo booths**

To ensure our Group maintains sufficient number of ID photo booths to support the expansion of business operation in new sites and replace old model ID photo booths, during the Track Record Period, we generally procured new ID photo booths from our photo booth vendors on an as-needed basis. Upon receipt of our purchase orders, our photo booth vendors will commence the manufacturing process. Our lessors generally require the manufacturers to commission certified laboratories to conduct fire and other safety tests for new models, the results of which will be passed to the lessors of the premises for approval prior to shipping. Upon receiving the approval from the lessors, we will instruct our photo booth vendors to arrange for shipping of the photo booths to us in Hong Kong or Guangdong Province.

As at the Latest Practicable Date, we have maintained over 24 and 7 years of business relationship with the Photo-Me Group and another independent photo booth vendor, respectively. Our Group's major purchases are denominated in RMB, EUR and JPY. For details, please refer to the paragraphs headed "Our Photo Booth Vendors and Suppliers" in this section below.

**Delivery of ID photo booths**

Delivery of ID photo booths generally takes around one and a half months to two and a half months from the date of our order placing, depending on the specifications and functionalities of the photo booths. Our technicians will conduct checking of the photo booths upon delivery to ensure no defect on the surface of the photo booths before we accept the delivery. Any defective parts will be replaced by the photo booth vendors at their own costs. The legal title to the photo booths and legal risks are usually passed to us when the photo booths leave the manufacturing production base.

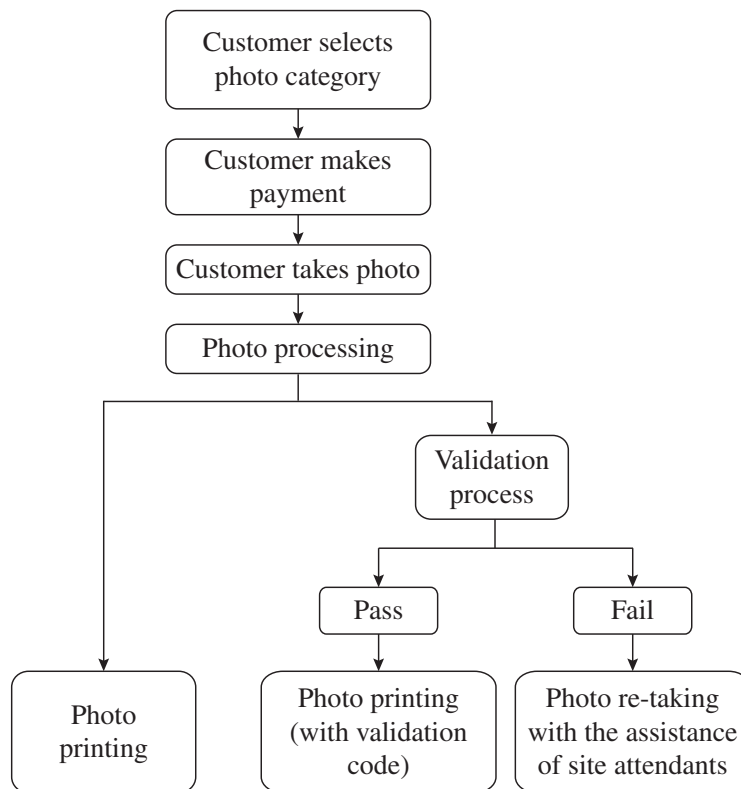
**Installation and quality assurance**

Upon the arrival of the ID photo booths to our sites, our operation and maintenance team will take around one to two days to complete the installation of the photo booths. We will also conduct trial run for validation for Validation Photo Booths and testing on the photo printing function to ensure the quality of the photos meets the required standard before putting the photo booths on the market for public use. During the Track Record Period, none of our photo booths failed to perform the test functions which need to be returned to the photo booth vendors. Our operation and maintenance team or stationed attendants also conduct routine checking periodically so that any old model ID photo booths or defective parts can be replaced in a timely manner.

**Operation of ID photo booths**

The operation of our ID photo booths commences when a customer attends a photo booth to take a photo, the image captured by the photo booth is then processed through either a simple or validation process before the photo and/or validation receipt can be printed. The following sets forth the general operation workflow of our ID photo booths in Hong Kong and Guangdong Province, respectively:

**Hong Kong**

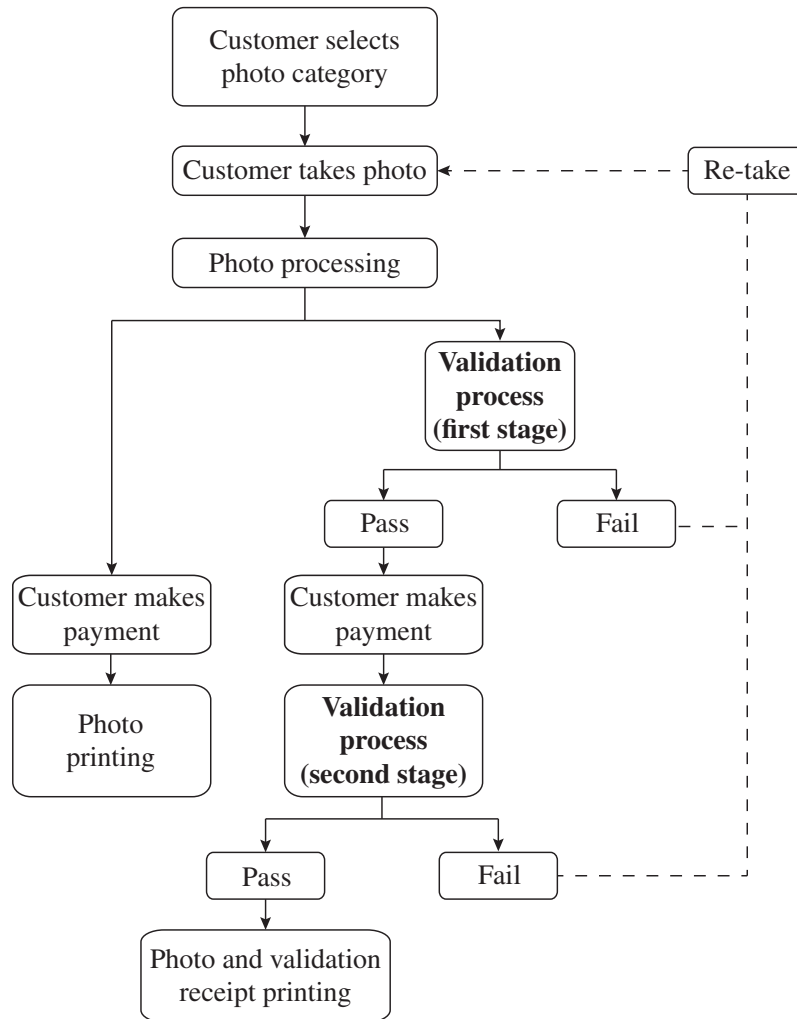


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### PRC



### OPERATION FLOW OF OUR PHOTO BOOTHS

Our ID photo booths operate automatically and generally provide voice instructions which serve as a useful aid to guide our customers along the photo booth operation. In one of the government related ID Documentations Issuing Authorities in Hong Kong and the PRC permits issuing authorities in Hong Kong and the PRC, attendants employed by our Group are present to assist customers in operating our ID photo booths. The photo booths can be activated when our customers press any button or touch the screen.



### **Customers select photo category, make payment and take photo**

Our ID photo booths generally provide two broad photo categories for our customers to choose from, namely ID photos and fun photos, both of which are instant photos. Customers opting the “ID photo” function will proceed to select the specific type of official documentations. The screen will show the required background colour with precise parameters and the customer will follow the voice instructions to take the photo. Our ID photo booths generally offer two chances of photo-taking for each payment. Customers selecting the “fun photo” function will follow the voice instructions to select the decoration frame shown on screen and take the photos.

As a customer selects a particular photo category, the photo booths in Hong Kong will require the customer to make payment first before proceeding to the photo-taking procedure, whereas the photo booths in Guangdong Province generally require payment to be made immediately before photo printing or commencement of the second stage validation process if Validation Technology is involved.

Our ID photo booths mainly accept cash for easy collection purposes as our staff collect the cash payments from most of the photo booths daily. Please refer to the section headed “Business – Legal Compliance and Proceedings – Internal control and risk management measures” for the internal control measures adopted by our Group for preventing misappropriation of funds. To diversify the payment method, some of our photo booths in Guangdong Province also accept payment by electronic means.

### **Photo processing and printing**

Photo processing takes place immediately after an ID photo booth captures the image of a customer, which may involve the validation process. PRC Permit Photos are subject to Specification Requirements and shall pass the validation process before printing. Other photo categories will be processed to ensure satisfaction of Specification Requirements before printing. Depending on the photo categories, this process normally takes approximately two to five minutes before the printing commences.

### ***Validation Technology and Process***

The validation process starts when customers have their new PRC Permit Photos taken at our Validation Photo Booths. The PRC Permit Photos are validated through both a digital and manual checking procedure to ensure they comply with the Specification Requirements. The validated PRC Permit Photos are then transmitted directly to the server of the PRC permits issuing authority in Hong Kong or the server of the Agent (as defined below) authorised by the PRC permits issuing authorities in Guangdong Province.

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The Validation Technology in our Validation Photo Booths is an integrated software with photogrammetry-based scanning technology pre-set with various numeric parameters which analyses the image quality factors and measurements extracted from a captured image to ensure the ID photos comply with the Specification Requirements. Such parameters are set on various aspects of a photo and include (i) size and resolution of the photo; (ii) exposure, saturation and brightness of the photo; (iii) position of the user's image and cropping of the captured image including distance between the top of the head with the upper border of the photo and distance between the eye level with the upper border of the photo; (iv) background colour; (v) colour of the user's clothes; (vi) facial features of the user in the photo including whether the eyes are open and looking forward, whether the head is tilted, the exposure of teeth and ears, and user's facial expressions; (vii) existence of inappropriate heavy makeup, hairstyle, accessories (like glasses), gesture and apparel.

With the pre-set parameters, the detection function in the software of our Validation Photo Booths automatically analyses and ensures that digital portrait photos conform to the parameters and multiple technical criteria set out in the Specification Requirements, offering significant advantages when compared with photos taken at traditional photo stores or kiosks. If the analysed image falls within the various pre-set ranges of parameters and upon manual checking, they will be transmitted to the servers owned or designated by PRC permits issuing authorities where customers apply for relevant PRC permits. If the measurements falls out of the pre-set range of parameter of any particular aspect of the photo, an error message will be transmitted to the photo booth notifying the user/customer to re-take the photo.

Our Directors believe that from technical perspective, the Validation Technology installed in the software of the HK Validation Photo Booths and the PRC Validation Photo Booths have similar features and functionalities. The major difference between the Validation Technology installed in the HK Validation Photo Booths and the PRC Validation Photo Booths is that the Validation Technology integrated with the installed software is able to digitally ensure that photos conform to the multiple technical criteria in order to satisfy the Specification Requirements for different types of ID documentation imposed by different PRC permits issuing authorities in Hong Kong and Guangdong Province, respectively, which may change from time to time.

We have been the exclusive operator to operate ID photo booths in the PRC permits issuing authority in Hong Kong, as a result, only our ID photo booths situated in proximate locations to the PRC permits issuing authority's offices in Hong Kong are permitted to connect to their intranet through which allows the validated photos to be securely and directly transmitted to and stored in the server of the PRC permits issuing authority in Hong Kong during the Track Record Period and up to the Latest Practicable Date. Further and pursuant to our agreement with the Technology Service Provider whom we collaborated with to develop the Validation Technology adopted by our HK Validation Photo Booths, either party to the agreement should not disclose details of the agreement including the other party's business model (which includes the Validation Technology) to other third parties without obtaining the other party's written consent. In light of the foregoing and given our market-leading position in Hong Kong with an operating history of 27 years, our widespread network of photo booths

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sited in prime locations with high footfall including ID Documentations Issuing Authorities, Railway and Airport, shopping malls, universities and hospitals together with our long-term relationship with such lessors, and the abundant capital investment requirement at the initial development stage, our Directors are of the view that other photo booth operators cannot easily replicate our business model in Hong Kong.

According to F&S Report, in Guangdong Province, other than our Group, there are two local manufacturers which supply automatic photo booths installed with Validation Technology in the market, one of which is Supplier A, an independent photo booth vendor and supplier of our Group, and another is an Independent Third Party based in Guangdong Province. Our Group purchased and procured the PRC Validation Photo Booths with the already installed Validation Technology from Supplier A who agreed to provide life-long technical support and technology upgrade services to our Group. We have commenced operation of such photo booths since 2010. Although the Validation Technology installed in photo booths produced by the local manufacturers in Guangdong Province are similar to our Validation Technology which can satisfy the Specification Requirements of the PRC authorities, our Directors believe that we are able to compete with these local manufacturers in the automatic ID photo services market in Guangdong Province because (i) we have accumulated substantial expertise and in-depth knowledge of the Specification Requirements of various ID Documentations Issuing Authorities in Guangdong Province since 2012; (ii) we have gained an immediate market access by entering into an exclusive collaboration agreement with Prestige Technology to launch the permits application/photo-taking machines in certain ID Documentations Issuing Authorities in Guangdong Province until 31 December 2021; and (iii) in relation to the PRC Validation Photo Booths procured from Photo-Me Group, our Substantial Shareholder and the world's largest manufacturer of photo booths, we are able to contribute our in-depth knowledge in the Guangzhou photo booth market to Photo-Me for their continuous upgrading and development of the PRC Validation Photo Booths supplied to us pursuant to the Master Supply Agreement to keep pace with the changing Specification Requirements and the rapid technological advancement.

In 2011, we collaborated with the Technology Service Provider to develop a customised Validation Technology to satisfy the Specification Requirements of the PRC permits issuing authority in Hong Kong. In 2012, our Group purchased the developed Validation Technology from the Technology Service Provider with ownership of and the right to use such technology for an unlimited term without specifying any terms or imposing any restriction as to how such technology can be used and as to geographical location for its usage. After procuring the Validation Technology, we communicated with the Photo-Me Group and at our request and our costs, it has assisted in adjusting the hardware and software of the photo booths it manufactured to accommodate the installation of the Validation Technology in the HK Validation Photo Booths during the photo booth manufacturing process since 2012. For further details of the Validation Technology in Hong Kong and Guangdong Province and their differences from other similar technologies, please refer to the sections headed "Industry Overview – Hong Kong's ID Photo Service Market – Competitive Landscape of Hong Kong's ID Photo Service Industry – Competitive Landscape of Automatic ID Photo Booth Operators in Hong Kong" and "Industry Overview – China's ID Photo Service Market – Competitive Landscape of China's ID Photo Service Industry – Competitive Landscape of Automatic ID Photo Booth Operators in Guangdong Province" respectively in this prospectus.

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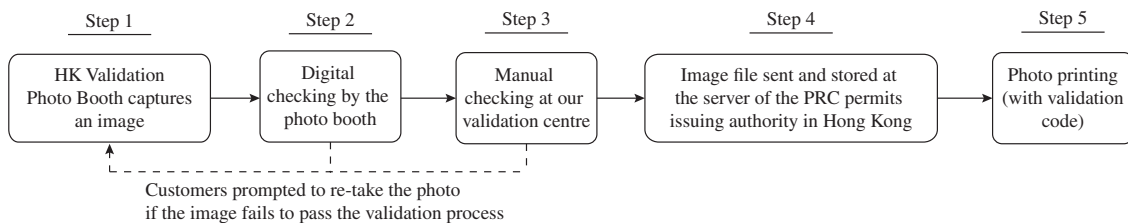
## BUSINESS

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The respective procedures involved in the HK Validation Photo Booths and the PRC Validation Photo Booths differ from each other and are set forth below.

### *Hong Kong:*

Applicants of Home Visit Permit (港澳居民來往內地通行證) and Exit-Entry Permit to Hong Kong and Macau (內地居民往來港澳通行證) are required to use validated photos which satisfy the Specification Requirements with a validation code before an ID documentation application can be processed. The validation process of the HK Validation Photo Booths is illustrated in the workflow below:



Step 1: HK Validation Photo Booth captures an image.

Step 2: Photo booth to conduct digital checking mainly for parameters (i) to (v) of the Specification Requirements. If the image does not pass the digital checking, the customer will be prompted to re-take the photo.

Step 3: After passing the digital preliminary checking, the photo will be passed to our validation centre for manual checking mainly for parameters (vi) to (vii) of the Specification Requirements. A “re-take” signal will be sent to the photo booth if the photo does not pass the manual checking.

Step 4: If the image file passes the manual checking procedure, our validation centre will send the file to the server of the PRC permits issuing authority in Hong Kong for storage.

Step 5: The photo will be printed at the HK Validation Photo Booths with a validation code assigned.

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Pursuant to our contractual arrangements entered into with such authority in 2014, we were granted the exclusive right to operate the HK Validation Photo Booths at their locations to complement their Home Visit Permit (港澳居民來往內地通行證) and Exit-Entry Permit to Hong Kong and Macau (內地居民往來港澳通行證) application services, whereby our HK Validation Photo Booths are exclusively connected to the intranet of the PRC permits issuing authority in Hong Kong through which the validated photos can securely and directly be transmitted to and stored in the server of the PRC permits issuing authority in Hong Kong. The scanning of validation code by the staff member of the PRC permits issuing authority in Hong Kong then retrieves the validated image file saved to their server. The application for the relevant documentations can thus be processed.

The arrangements between our Group and the PRC permits issuing authority in Hong Kong with respect to the aforementioned validation procedure are governed by our agreement with the PRC permits issuing authority in Hong Kong as lessor. The salient terms of the agreement include (i) our Group is allowed to install and operate automatic ID photo booths (i.e. HK Validation Photo Booths) in the premises of the PRC permits issuing authority in Hong Kong and the photos provided by our Group shall satisfy the Specification Requirements; (ii) the photos taken shall be validated by our Group according to the standards imposed by the relevant PRC authorities and such validated photos shall be transmitted to the PRC permits issuing authority in Hong Kong for the application of Home Visit Permit (港澳居民來往內地通行證) and Exit-Entry Permit to Hong Kong and Macau (內地居民往來港澳通行證); (iii) our Group shall provide technical support services to the PRC permits issuing authority in Hong Kong when required; and (iv) our Group is required to pay a pre-agreed percentage of the revenue generated by the HK Validation Photo Booths to the PRC permits issuing authority in Hong Kong on a monthly basis as rental expenses and electricity fees for the operation of our photo booths. For details of the exclusivity and termination clauses, please refer to the paragraph headed “Our Operation Flow – Selection of sites – Contractual terms with the lessors” in this section above.

### *Guangdong Province*

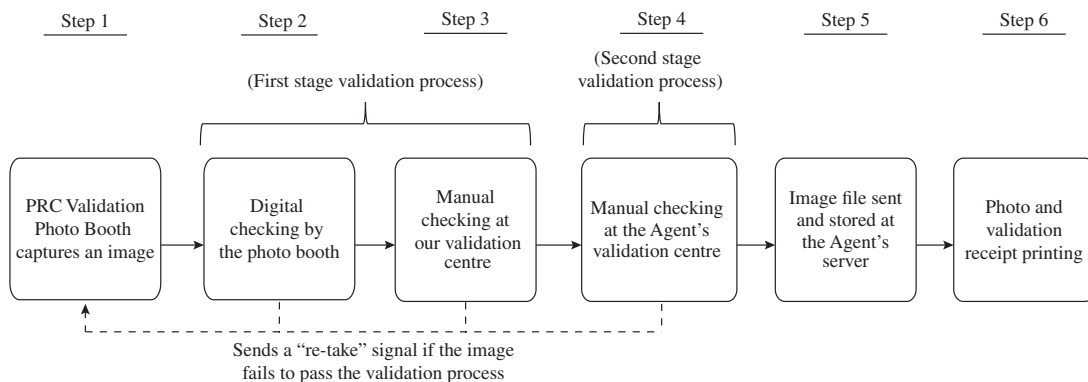
Applicants of PRC ID card, PRC driving licence, PRC passport, Residence Card of Guangdong Province (廣東省居住證) and Exit-Entry Permit to Hong Kong and Macau (內地居民往來港澳通行證) are required to use validated photos which satisfy the Specification Requirements. With a view to providing convenient photo-taking and PRC permits application services to the PRC citizens, the relevant PRC permits issuing authorities in Guangdong Province have authorised an agent (the “Agent”), an Independent Third Party which is a PRC state-owned telecommunication company, to set up an electronic platform which receives and provides inspection services for photos submitted by service providers who have been appointed by the relevant PRC permits issuing authorities in Guangdong Province. Such service providers are required to be registered with the Agent. As such, the Agent’s electronic platform is open to all registered service providers only. All registered service providers are then permitted to firstly submit photos to the Agent’s platform for validation. To ensure the photos received are fit for the purpose of PRC permits application, the photos submitted to the Agent’s platform will go through a standardised validation process (i.e. the second stage

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validation process described in the workflow below). The validated photos which completed and successfully satisfied the Agent's validation process will be passed and transmitted to the PRC permits issuing authorities in Guangdong Province upon scanning of the validation code. While no separate agreements are entered into between the Agent and the registered service providers, the Agent charges such registered service providers a fee of RMB1.5, RMB2.0 or RMB5.0 per photo (depending on factors including the locations from which the photos are submitted and the quality of the photos submitted). During the Track Record Period, the total amount of service fees paid to the Agent by us, as one of the registered service providers, for the usage of the Agent's electronic platform were approximately HK\$0.1 million, HK\$0.2 million and HK\$0.1 million, respectively. The detailed validation process of the PRC Validation Photo Booths is illustrated in the workflow below:



Step 1: The PRC Validation Photo Booth captures an image.

Step 2: Photo booth to conduct digital checking mainly for parameters (i) to (v) of the Specification Requirements. If the image does not pass the digital checking, the customer will be prompted to re-take the photo.

Step 3: After passing the digital preliminary checking, the photo will be passed to our validation centre for manual checking mainly for parameters (vi) to (vii) of the Specification Requirements. A “re-take” signal will be sent to the photo booth if the photo does not pass the manual checking.

Step 4: Image file passing the first stage of validation process will be transmitted to the Agent's validation centre in the PRC to conduct a separate manual checking for all (i) to (vii) parameters of the Specification Requirements. A “re-take” signal will be sent to the photo booth if the photo does not pass the manual checking by the Agent.

Step 5: Image file passing the second stage of validation process will be sent to and stored in the Agent's server.

Step 6: The photo will be printed at the PRC Validation Photo Booths with a validation receipt and a code assigned.

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The key difference of the checking procedures of the validation process in Hong Kong and in the PRC is that the PRC's validation process consists of an additional checking procedure, where the photo booth transfers the image to the Agent's validation centre for checking, completing the second stage of the validation process.

The entire validation process requires up to five minutes to complete. The validation receipt includes an image file of a customer and a validation code. Customers are required to sign on the validation receipt and return the signed receipt to the relevant PRC permits issuing authority before the application for the relevant ID documentations can be processed. The scanning of the validation code on the validation receipt by the staff of the relevant PRC permits issuing authority retrieves the validated image file saved in the Agent's server.

The arrangements with respect to the aforementioned validation procedure are driven by the policies of the relevant PRC authorities and the official arrangements made between the relevant PRC authorities and the Agent which are published to the public. Provided that such policies and official arrangements remain unchanged, we believe that our Group and other registered service providers can continue to submit the photos to the Agent's platform for processing.

All photos or image files captured by our ID photo booths in Hong Kong and Guangdong Province will be saved to the server or validation centre and the validation systems are programmed to automatically delete the image file on a regular basis. Our staff conducts regular checking to ensure the image files are deleted properly.

## CUSTOMERS, SALES AND MARKETING

### **Our customers**

Our target customers are consumers of the general public and our customer base in Hong Kong and the Guangdong Province is large and diverse. Due to the nature of our business, we do not rely on any single customer during the Track Record Period.

### **Pricing policy**

Our pricing policy principally takes into consideration of our monthly costs for leasing the premises, cost of consumables, the associated operational costs and a mark up in order to achieve the gross profit margin which our Group desires to attain. Our Directors believe that our pricing strategy allows us to pass on part of the increase in operational costs to our customers. We regularly monitor and review the operational costs of our business and consider the market affordability of our products and the consumer price index for the annual review of pricing of our products.

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### **After-sales services**

We offer our customers in Hong Kong and Guangdong Province, an “unconditional guarantee” that if, for whatever reasons, our customer is not satisfied with a photo taken by the ID photo booths operated by us, we will provide a free photo retake to the customer’s satisfaction or full money refund upon their return of the photos taken. We believe that our “unconditional guarantee” is able to enhance customers’ confidence in our products. During the Track Record Period, the amount of products returned from our customers was minimal.

We value our customers’ feedback on the products we provide and have implemented measures to handle complaints effectively. We have a customer service officer who accept customers’ complaints by way of fax, telephone and email to ensure timely response to customer concerns. Our customer service officer handles customers’ complaints promptly upon receipt. During the Track Record Period and as at the Latest Practicable Date, we did not experience any customer complaints or cessation of operation of ID photo booths which had a material adverse effect on our business or results of operations.

### **Seasonality**

Our sales as a whole is stable in general through the year. Historically, we have experienced relatively higher sales after the Chinese new year or summer holidays. However, our overall sales are balanced throughout the year and we do not believe that our results of operations are significantly affected by seasonality.

## **OUR PHOTO BOOTH VENDORS AND SUPPLIERS**

Our photo booth vendors and suppliers are selected carefully based on a set of selection criteria, which includes (i) pricing, quality technical level or other specifications requirements of photo booths, spare parts and consumables; (ii) timeliness of delivery; (iii) reputation of the photo booth vendors and suppliers; (iv) previous experience and length of our relationship with the photo booth vendors and suppliers; and (v) past performance of the photo booth vendors and suppliers. Our Group’s major purchases are denominated in RMB, EUR and JPY.

### **Photo booth vendors**

As at the Latest Practicable Date, the ID photo booths we operated in Hong Kong and Guangdong Province were procured from our photo booth vendors. With a view to providing photos which can satisfy the Specification Requirements, our Group procured and leased ID photo booths from two photo booth vendors during the Track Record Period, which were the Photo-Me Group, our Substantial Shareholder, and Supplier A, an independent photo booth vendor which also supplied consumables to us during the Track Record Period.

After examining and comparing the overall prices (taking into consideration of price of the photo booth, installation costs and transportation costs), specifications, models and functions of photo booths supplied by the Photo-Me Group and Supplier A, our Directors are of the view that the price and quality of the photo booths Supplier A supplied to us during the



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Track Record Period and the terms offered by them for the supply of photo booths were similar to those offered by the Photo-Me Group. As at 31 December 2017, we owned an aggregate of 207 photo booths, among which 128 photo booths were procured from Photo-Me, representing approximately 62% of our total number of photo booths, and 79 photo booths were procured from Supplier A, representing approximately 38% of our total number of photo booths.

We purchased all photo booths from the Photo-Me Group for our business operation in Hong Kong. For our business operation in Guangzhou, we leased 40, 40 and 37 photo booths from the Photo-Me Group during the Track Record Period, (which have all been replaced with our self-owned photo booths as at the Latest Practicable Date. Our lease expenses paid to the Photo-Me Group for leasing the photo booths in Guangzhou amounted to approximately HK\$0.3 million, HK\$0.2 million and HK\$0.1 million, accounting for approximately 1.0%, 0.6% and 0.4% of our total costs of sales respectively, for the Track Record Period.) We purchased 24, nil and nil photo booths from Supplier A during the same periods. When choosing photo booth vendors, our Group generally takes into consideration of the geographical locations where the photo booths (i.e. in Hong Kong or in the PRC) will be installed and operated and the functionalities required by the relevant lessors or driven by the market. We procure the photo booths that have qualities and functions that are more suitable for that particular market. During the Track Record Period, we procured photo booths placed in Hong Kong from the Photo-Me Group to satisfy the market demand for ID photo booths which do not require validation function. On the other hand, in Guangdong Province, we procured photo booths from both Photo-Me Group and Supplier A during Track Record Period. For the year ended 31 December 2015, we purchased from Supplier A 24 photo booths which were operated in the Guangdong Province. For the year ended 31 December 2016, we purchased from the Photo-Me Group 16 photo booths which were operated in Hong Kong, representing all of the total number of photo booths we purchased. During the year ended 31 December 2017, among the 110 photo booths which we had placed purchase orders, 70 photo booths were procured from Supplier A while only 40 photo booths were procured from Photo-Me Group, which represented 64% and 36% of the total number of photo booths we purchased from Supplier A and the Photo-Me Group respectively.

In light of our expansion plan in Guangdong Province and our effort to balance our photo booth procurement from different suppliers, we intend to increase our purchase of photo booths from Supplier A and/or other suppliers in terms of the proportion of total number of photo booths. For the year ending 31 December 2018, we intend to purchase a total of 97 photo booths, among which 45 photo booths in an amount of approximately HK\$4.3 million from Supplier A and/or a potential new photo booth vendor (“the Potential Vendor”) (representing approximately 46% of the total number of photo booths we plan to purchase for the same year), and purchase 52 photo booths in an amount of approximately HK\$3.8 million from Photo-Me (representing approximately 54% of the total number of photo booths we plan to purchase for the same year). For the year ending 31 December 2019, we intend to purchase a total of 143 photo booths, among which 70 photo booths in an amount of approximately HK\$6.7 million from Supplier A and/or the Potential Vendor (representing approximately 49% of the total number of photo booths we plan to purchase for the same year), and purchase 73 photo booths in an amount of approximately HK\$5.3 million from Photo-Me (representing approximately

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51% of the total number of photo booths we plan to purchase for the same year). We consider that photo booths from Supplier A which are equipped with Validation Technology are more suitable for our Guangdong Province market. We will also consider to purchase photo booths from alternative suppliers other than Photo-Me or Supplier A and/or Potential Vendor, taking into account of factors like the price, quality, functions and market needs. Please refer to the section headed “Relationship with Controlling Shareholders and Substantial Shareholder” for more details.

It is the industry norm for the photo booth operators to rely on the photo booth vendors for the supply of photo booth spare parts and consumables. The spare parts and consumables supplied by different vendors bear specifications of the photo booths and hence, are not interchangeable. For the Track Record Period, our aggregate purchases of photo booths and spare parts from the Photo-Me Group amounted to approximately HK\$0.04 million, HK\$1.2 million and HK\$0.4 million, accounting for 1.7%, 100% and 100% of our total photo booth and spare parts purchases, respectively, whilst the remaining purchases of photo booths and spare parts from Supplier A amounted to approximately HK\$2.5 million, nil and nil, accounting for 98.3%, nil and nil of our total photo booth and spare parts purchases, respectively, for the same periods. For details of the Photo-Me Group, please refer to the section headed “Relationship with Controlling Shareholders and Substantial Shareholder – Photo-Me, Our Substantial Shareholder” in this prospectus.

With an aim to continuously develop new Validation Photo Booths, in November 2011, we entered into an R&D contract with the Technology Service Provider under which we collaborated with the service provider to develop the Validation Technology which was adopted by our HK Validation Photo Booths.

### **Suppliers of photo booth consumables**

During the Track Record Period, we also procured photo booth consumables from the Photo-Me Group and the photo booth vendor. The Photo-Me Group has been supplying photo booth consumables to us in Hong Kong and Guangdong Province since 1993 and 2005, respectively. Our purchases of consumables from the Photo-Me Group amounted to approximately HK\$1.1 million, HK\$1.3 million and HK\$0.6 million, accounting for approximately 84.5%, 88.7% and 83.1% of our total purchase of consumables, respectively, for the same periods whereas our purchase of consumables from the independent supplier were approximately HK\$0.2 million, HK\$0.2 million and HK\$0.1 million, accounting for approximately 15.5%, 11.3% and 16.9% of our total purchase of consumables, respectively, for the same period.

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The table below sets out the background information of our top two suppliers for purchases of photo booth consumables during the Track Record Period:

Rank	Name of supplier	Principal business	Type of products purchased by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers	Payment method	Total purchases <i>HK\$'000</i>	Percentage of our Group's total purchase %
<i>For the year ended 31 December 2015</i>								
1	Photo-Me Group	Manufacturing and operation of automatic vending equipment including photo booths and digital printing kiosks	Photo booth consumables	24	60 days	Telegraphic transfer	1,079	84.5
2	Supplier A <sup>(Note)</sup>	Design and manufacturing of digital image equipment and photo booths	Photo booth consumables	7	Pay in advance	Bank transfer	197	15.5
<i>For the year ended 31 December 2016</i>								
1	Photo-Me Group	Manufacturing and operation of automatic vending equipment including photo booths and digital printing kiosks	Photo booth consumables	24	60 days	Telegraphic transfer	1,332	88.7
2	Supplier A <sup>(Note)</sup>	Design and manufacturing of digital image equipment and photo booths	Photo booth consumables	7	Pay in advance	Bank transfer	170	11.3

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Rank	Name of supplier	Principal business	Type of products purchased by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers	Payment method	Total purchases <i>HK\$'000</i>	Percentage of our Group's total purchase %
<i>For the eight months ended 31 August 2017</i>								
1	Photo-Me Group	Manufacturing and operation of automatic vending equipment including photo booths and digital printing kiosks	Photo booths consumables	24	60 days	Telegraphic transfer	579	83.1
2	Supplier A <sup>(Note)</sup>	Design and manufacturing of digital image equipment and photo booths	Photo booth consumables	7	Pay in advance	Bank transfer	118	16.9

*Note: Supplier A is an Independent Third Party.*

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any shortage of photo booths and consumables or delay in the supply of photo booths and photo booth consumables that would cause material business disruptions to our Group. As we procured most of the photo booths and photo booth consumables from the Photo-Me Group, to ensure supply stability and continuity of our business operation, we have entered into the Master Supply Agreement with the Photo-Me Group. Pursuant to the Master Supply Agreement, the pricing, quantity and specifications of the products to be supplied shall comply with those specified in the purchase orders to be placed by our Group. The Photo-Me Group also undertakes to sell the photo booth consumables and spare parts to our Group for a period of not exceeding three years from the date of the agreement up to 31 December 2019 in Hong Kong and Guangdong Province. For details of the Master Supply Agreement, please refer to the section headed “Connected Transactions – Non-exempt Continuing Connected Transactions – Master Supply Agreement” in this prospectus.

To the best knowledge and belief of our Directors after making all reasonable enquiries, except for the Photo-Me Group, none of our Directors, their respective close associates or any Shareholders, who to the knowledge of our Directors owns more than 5% of the number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue, has any interest in Supplier A during the Track Record Period.

### RESEARCH AND DEVELOPMENT

Before and during the Track Record Period, we have deployed resources for research and development activities for Validation Technology. With an aim to continuously develop Validation Photo Booths, we entered into an R&D contract with the Technology Service Provider in November 2011, under which we collaborated with the service provider to develop the Validation Technology which was adopted by our HK Validation Photo Booths. Such Validation Technology was subsequently purchased by us from the Technology Service Provider in 2012. Please refer to the paragraph headed “Operation Flow of Our Photo Booths – Photo Processing and Printing – Validation Technology and Process” in this section above for further details of our Group’s R&D effort in the Validation Technology.

### INVENTORY MANAGEMENT

Our inventory mainly comprises photo booth consumables, namely photographic paper and colour thermal transfer ribbon. As these items are subject to prescribed storage periods, our inventories are utilised on a first-in-first-out basis. Our photo booth consumables have a shelf life of about one year from the date of delivery. We conduct regular stock-take to ascertain appropriate levels of stock for consumables. During the Track Record Period, we generally stocked up consumables to meet sales for approximately three to six months. Our purchase of consumables are mainly driven by typical commercial considerations, such as market conditions, pricing and other commercial terms, time of delivery, existing inventory level and customer demand based on historical usage we generally procure the consumables from our suppliers on a regular basis.

### COMPETITION

According to the F&S Report, the automatic ID photo industry in Guangdong Province which we operate our business is dominated by a few market players. In Guangdong Province, the top two players in the automatic ID photo service industry, one of which being our Group, represent over 59% of market share, in terms of number of photo booths in operation, as at the end of 2016. In Hong Kong, our Group was the leading and the only automatic ID photo booth operator by the end of 2016. As the customers increasingly expect the ID photo service providers to streamline photo-taking workflows and provide quality photos, the major players which have quality photo booths and invested in the infrastructure, including our Group, are likely to find their leadership status strengthened.

There are multiple entry barriers for new market players to establish business presence in the ID photo service market. According to the F&S Report, entry barriers in the ID photo service market in China include lack of operating experience, lack of requisite capital and limited supply of credible photo booths, whereas the entry barriers in the ID photo service market in Hong Kong include lack of brand reputation and industry expertise, lack of capital, limited supply of credible photo booths and limited branch networks of the new entrants. Please refer to the section headed “Industry Overview” in this prospectus for further information on the competitive landscape, growth and entry barriers of the ID photo service industry in the PRC and Hong Kong. We believe that our competitiveness lies in our

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long-standing history and established reputation in the industry, our ability to provide quality value-added and customised services, our efforts in globalising our business and stable relationships with government organisations and our customers. Our Directors foresee our competitive strengths will solidify and further enhance our business with the implementation to our strategies with the additional funding support by the Share Offer. Please refer to the sections headed “Business – Our Competitive Strengths” and “Business – Our Strategies” for further information.

### EMPLOYEES

As at 31 December 2015, 31 December 2016, 31 August 2017 and as at the Latest Practicable Date, our Group had a total of 45, 47, 51 and 52 full-time employees, respectively, out of which 8 staff members are located in PRC. The following table sets out a breakdown of our full-time employees by functions as at the Latest Practicable Date:

Function	Number of employees As at the Latest Practicable Date		
	Hong Kong	PRC	Total
Management	4	2	6
Operation and maintenance	34	4	38
Finance and general administration	5	2	7
R&D	1	0	1
<b>Total</b>	<b>44</b>	<b>8</b>	<b>52</b>

We generally recruit our employees from the open market by placing recruitment advertisements and posting job listings on the Labour Department in Hong Kong and on recruitment websites in Guangdong Province. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We enter into individual employment contracts with our employees covering matters such as job title, place of work, working hours, probation period, termination conditions, wages and benefits. These employment contracts have no fixed terms subject to termination of contract by either party. All of our employees are paid a fixed salary and depending on their positions, our employees may be awarded bonuses based on the employees’ performance. We conduct regular performance appraisals to ensure that our employees receive feedback on their performance.

We provide training sessions to our employees at different positions. For instance, we provide on the job training to new photo booth attendants to ensure our employees possess the requisite skills to fulfil their job requirements. During the Track Record Period and up to the Latest Practicable Date, there had not been any labour strike within our Group. We did not have any material labour disputes nor any material insurance claims related to employee injuries as at the Latest Practicable Date.

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### INSURANCE

Our insurance coverage includes employees' compensation insurance and public liability insurance in Hong Kong and employees' compensation insurance in Guangdong Province. For the years ended 31 December 2015 and 31 December 2016 and for the eight months ended 31 August 2017, we incurred total insurance expenses in the amount of approximately HK\$0.13 million, HK\$0.13 million and HK\$0.15 million for insurance policies in Hong Kong and in PRC, respectively. We review our insurance policies from time to time for adequacy in the breadth of coverage. Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. However, our business operation is susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our current insurance coverage. Please refer to the section headed "Risk Factors – Risks Relating to our Business and Operation – Our Group may not be fully indemnified for our losses under our current insurance coverage" in this prospectus for more details.

### ENVIRONMENTAL MATTERS

Due to the nature of our business, our Group's operational activities do not directly generate industrial pollutants, and as such our Group did not incur directly costs of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

### PROPERTIES

As at the Latest Practicable Date, we did not own any properties in Hong Kong or other places outside Hong Kong. We leased three properties in Hong Kong, out of which one property was leased from Big Star and Goodrise Limited for office use which constitutes an exempt continuing connected transactions. For details, please refer to the section headed "Connected Transactions – Exempt Continuing Connected Transaction" in this prospectus. The other two leases are leased from Independent Third Parties for operating our HK Validation Photo Booths. As at the Latest Practicable Date, we also leased one property in the PRC from an Independent Third Party for uses as office and the validation centre of our Group.

As at the Latest Practicable Date, we occupied over 50 and 80 sites in Hong Kong and PRC, respectively, for operating our ID photo booths. For details, please refer to "Appendix V – Statutory and General Information – B. Further Information About Our Business – 3. Licensed sites" to this prospectus.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered for two trademarks in Hong Kong. Details of our intellectual property rights registration are set out in “Appendix V – Statutory and General Information – B. Further Information About Our Business – 2. Material intellectual property rights” to this prospectus.

As to the Validation Technology installed in our HK Validation Photo Booths that we developed with the Technology Service Provider, we were granted with the ownership and usage rights of such Validation Technology by such Technology Service Provider pursuant to our agreement with the Technology Service Provider. Furthermore, either party to the agreement should not disclose details of the agreement including details of the Validation Technology to other third parties without obtaining the other party’s written consent. As to the Validation Technology installed in our PRC Validation Photo Booths, we procured the PRC Validation Photo Booths with the already installed Validation Technology from Supplier A, an independent photo booth vendor and supplier of our Group, who has obtained relevant intellectual property rights pursuant to its representation under their relevant sale and purchase agreement with our Group.

To protect our intellectual property rights and the intellectual property rights in relation to the Validation Technology owned by other third parties, our Group has implemented the following measures:

- (a) All intellectual property rights of our Group are to be registered in the applicable jurisdictions.
- (b) Our Group will seek written consent from its business or technology partners for the use of their intellectual property rights if and as necessary.



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- (c) Our Group will regularly monitor its registered intellectual property rights to check if there is any unauthorized use by other parties. Investigation and legal or other actions will be carried out if there is any infringement or suspected infringement.
- (d) To protect the intellectual property rights in relation to the Validation Technology owned or developed by other third parties installed in our Validation Photo Booths, our Group is required to enter into confidentiality agreement with these parties to undertake not to disclose or release any confidential information in relation to the Validation Technology installed in our Validation Photo Booths.
- (e) Our accounting staff is assigned to conduct regular web-search to check if the Validation Technology or other similar technology is being adopted in the market.

As at the Latest Practicable Date, we did not apply for registration for our Validation Technology owned or developed by other third parties because our Validation Technology was developed by the Technology Service Provider or installed in the photo booths supplied by Supplier A and we were not granted the right to register our Validation Technology under our agreements with each of the respective agreements signed with Technology Service Provider and Supplier A. However, as we were granted the right to use such Validation Technology with an unlimited period under our agreements, we consider that the non-registration of our Validation Technology will not affect such right.

As at the Latest Practicable Date, our Group has properly registered all our intellectual property rights, namely the two trademarks in Hong Kong.

As of the Latest Practicable Date, there were no disputes or infringements in connection with our intellectual property rights pending or threatened against our Group which could have a material adverse effect on our operations or financial performance.

### **LEGAL COMPLIANCE AND PROCEEDINGS**

During the Track Record Period and up to the Latest Practicable Date, there had not been any material or systemic non-compliance of our Group or litigations or claims of material importance (to the Group's financial condition or results of operation) pending or threatened against any member of our Group.

#### **Internal control and risk management measures**

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

To manage our external and internal risks and to ensure the smooth running of our business, we have engaged an internal control adviser on 5 January 2017 to assist our Group in reviewing and providing recommendations on improving our internal control system. The internal control adviser has reviewed and provided recommendations to our internal control system, including the following:

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- as the operation of photo booths involves collection of cash by our staff daily for most of the photo booths, we require our staff to record the revenue meter data and prepare sales report each time our staff collects cash from the photo booths. Our staff is required to submit the relevant sales report and revenue meter record together with the cash to our accounting department for verification;
- duties of handling accounting processes are properly segregated so that duties of preparing and reviewing of accounting vouchers and bank reconciliation have been delegated to different personnel. In addition, administrative rights in the accounting systems are assigned to the chief technical officer and any creation or amendment of access right will be performed by him. The above access rights is reviewed and approved by our chief executive officer, Mr. Timmy Chan;
- independent checking to be conducted by our accounting staff to verify the metre data in the photo booth to ensure the cash received in the photo booths matches the record of metre data. Results of independent checking will be properly recorded and reviewed by the management of our Group;
- our Board of Directors regularly monitors key controls and procedures in order to assure that our Group's internal control system is functioning as intended. The audit committee of our Board is responsible for supervising our risk management and internal control systems and financial reporting process of our Group. For the qualifications and experience of these audit committee members, please refer to the section headed "Directors and Senior Management – Independent Non-executive Directors" in this prospectus; and
- we have appointed Octal Capital Limited as our compliance adviser to advise us on compliance matters in relation to the GEM Listing Rules.

Our Group has fully implemented the enhanced internal controls in May 2017 as recommended by the internal control adviser. Our Directors have confirmed that during the Track Record Period, no material failure occurred and we believe that our internal control and risk management system are sufficient and effective.

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## DIRECTORS AND SENIOR MANAGEMENT

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### OVERVIEW OF OUR DIRECTORS AND SENIOR MANAGEMENT

The following tables set forth certain information with respect to the current members of our Board and senior management:

Name	Age	Date of appointment as a Director	Date of joining our Group	Roles and responsibilities	Relationship with Directors and senior management
<b>Executive Directors</b>					
Mr. CHAN Wing Chai, Jamson (陳永濟)	71	26 January 2017	March 1989	Executive Director and chairman of the Board  Responsible for managing the overall business operations and planning business strategies for our Group	Father of Mr. Timmy Chan and Mr. Chan Ernie Shiu Kay
Mr. CHAN Tien Kay, Timmy (陳天奇)	44	26 January 2017	July 1996	Executive Director and chief executive officer  Responsible for managing the overall business operations and executing business strategies of our Group	Son of Mr. Jamson Chan and elder brother of Mr. Chan Ernie Shiu Kay
Mr. WU Siu Tong (胡兆棠)	63	26 January 2017	October 1998	Executive Director and finance director  Responsible for overseeing the financial functions of our Group	none

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Date of appointment as a Director	Date of joining our Group	Roles and responsibilities	Relationship with Directors and senior management
<b>Non-executive Directors</b>					
Mr. CHEUNG Kam Ting (張淦庭)	73	26 January 2017	March 1989	Non-executive Director  Responsible for providing strategic advice to the business and operation of our Group	none
Mr. Riccardo COSTI	73	26 January 2017	September 1998	Non-executive Director  Responsible for providing strategic advice to the business and operation of our Group	none
<b>Independent non-executive Directors</b>					
Mr. NGAI James (倪雅各)	54	8 February 2018	February 2018	Independent non-executive Director  Responsible for supervising and providing independent advice to our Board	none
Mr. HUI Chi Kwan (許次鈞)	68	8 February 2018	February 2018	Independent non-executive Director  Responsible for supervising and providing independent advice to our Board	none
Mr. KWOK Tsun Wa (郭振華)	71	8 February 2018	February 2018	Independent non-executive Director  Responsible for supervising and providing independent advice to our Board	none

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with Directors and senior management
<b>Senior management and company secretary</b>					
Mr. TAM Ka Seng (譚家聲)	44	21 July 1994	July 1994	Maintenance and operation manager  Responsible for supervising the maintenance and general operations of our Group	none
Mr. CHAN Ernie Shiu Kay (陳少奇)	41	1 January 2017	October 2003	Chief technical officer  Responsible for advising on the technological requirements and technical design for our Group's projects	Son of Mr. Jamson Chan and younger brother of Mr. Timmy Chan
Mr. CHUN Chi Sing Benny (秦智聲)	52	21 April 2011	February 1994	Deputy general administration manager  Responsible for general administration, marketing and business development of our Group	none
Mr. LEY Yee Chung, Danny (利宜中)	50	5 July 2017	July 2017	Company secretary  Responsible for managing administrative and company secretarial matters of the Board	none

### DIRECTORS

Our Board currently consists of eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The powers and duties of our Board include convening Shareholders' general meetings, reporting our Board's work at our Shareholders' meetings, implementing the resolutions passed at general meetings, determining our business and investment plans, preparing our annual

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## DIRECTORS AND SENIOR MANAGEMENT

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financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our share capital as well as exercising other powers, functions and duties as conferred by our Articles of Association.

### Executive Directors

**Mr. CHAN Wing Chai, Jamson** (陳永濟), aged 71, was appointed as an executive Director of our Company with effect from 26 January 2017, and serves as chairman of our Board. Mr. Jamson Chan is primarily responsible for devising strategies for the continuous development of our Group, overseeing our Group's business operations and financial performance, as well as leading our Board in performing its functions. Since March 1989, Mr. Jamson served as a director of Max Sight, the first member of our Group. He has also been serving as a director of most of our other subsidiaries. He has 27 years of experience in the field of automatic photo booth operations. He obtained a diploma in management for executive development from the Chinese University of Hong Kong in September 1985.

Mr. Jamson Chan was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

<b>Name of company</b>	<b>Principal business activities immediately prior to dissolution</b>	<b>Means of dissolution</b> <i>(Please refer to page 148 for the Notes)</i>	<b>Date of dissolution</b>
Max Sight (China) Limited 名仕中國有限公司	Provision of ID Photos	Deregistration under the Predecessor Companies Ordinance	09/01/2004
Nisshiyo (H.K.) Limited 日昇貿易(香港)有限公司	Importer services	Deregistration under the Predecessor Companies Ordinance	01/04/2005
Techplus Limited 添科有限公司	Trading	Deregistration under the Predecessor Companies Ordinance	03/11/2006

Mr. Jamson Chan confirmed that each of the above companies was solvent at the time of its dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Jamson Chan is interested in 47.25% of the issued share capital of Causeway Treasure, which in turn is interested in approximately 53.45% of the total issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). By virtue of the SFO, Mr. Jamson Chan is deemed to be interested in the Shares held by Causeway Treasure.

**Mr. CHAN Tien Kay, Timmy (陳天奇)**, aged 44, was appointed as an executive Director of our Company with effect from 26 January 2017. Mr. Timmy Chan also serves as the chief executive officer of our Company and is primarily responsible for managing the overall business operations and executing business strategies of our Group. He has been closely involved in the business operations of the Group since he acted as the business development manager and general manager of Max Sight from 1996 to 1998 and from 1998 to 2003, respectively, during which periods he was in charge of liaising with our licensors for licences of our photo booths, overseeing daily operations of our business, and implementing the transition from mechanical chemistry machines to digital photo booths. He has also been the director of some of our subsidiaries, including Max Sight International since July 1999, Treasure Star since January 2010 and MV Asset since June 2017. Through his previous positions at Max Sight, and subsequent directorship at Max Sight International and Treasure Star, he has accumulated experience in the operation of automatic photo booths for around 21 years. Mr. Timmy Chan was admitted as a solicitor to the Supreme Court of Queensland, Australia in November 2009. He obtained a master's degree in law from Bond University, Australia in September 2007, and a bachelor's degree in arts from Saint Olaf College, Minnesota, the United States in May 1996.

Mr. Timmy Chan is interested in 47.25% of the issued share capital of Causeway Treasure, which in turn is interested in approximately 53.45% of the total issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). By virtue of the SFO, Mr. Timmy Chan is deemed to be interested in the Shares held by Causeway Treasure.

**Mr. WU Siu Tong (胡兆棠)**, aged 63, was appointed as an executive Director of our Company with effect from 26 January 2017, he is also our finance director. Mr Wu is responsible for overseeing the financial functions of our Group, including financial planning and control, budgeting, management reporting and tax compliance. He also served as a director of Max Sight from October 1998 to July 2011, a director of MV Asset from October 1998 to December 2003 and a director of Fullwise from April 2003 to July 2011. He has around 30 years of experience in accounting and financial management.

Prior to joining our Group, Mr. Wu worked in various multinational and listed companies as senior finance executives. Mr. Wu was the financial controller of Leigh & Orange Limited, a company principally engaged in architectural practice, and RMJM Hong Kong Limited, a

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## DIRECTORS AND SENIOR MANAGEMENT

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company principally engaged in architectural practice, from 2007 to 2009 and from 2003 to 2005 respectively, where he was responsible for financial management, controlling and tax planning and compliance. From 1999 to 2003, he worked as the group financial controller of SEA Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange (stock code: 0251). He was responsible for overseeing the financial management of all group entities including group accounting, treasury, banking relationship and tax compliance. From 1984 to 1999, Mr. Wu assumed various senior finance executive posts in Hagemeyer Cosa Liebermann Group, a member of Hagemeyer N.V., which was a company listed on the Amsterdam Stock Exchange in 1937 and subsequently delisted in 2008, where he was responsible for the group financial accounting, budgetary control, treasury, tax planning and compliance, and company secretarial duties.

Mr. Wu was admitted as a member of CPA Australia in March 1996 and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom since April 1986. He obtained a master degree in business administration from Oklahoma City University, the United States in December 1988.

Mr. Wu Siu Tong was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

<b>Name of company</b>	<b>Principal business activities immediately prior to dissolution</b>	<b>Means of dissolution</b> <i>(Please refer to page 148 for the Notes)</i>	<b>Date of dissolution</b>
Sandvest Limited	Trading	Striking off	25/04/2003
Techplus Limited 添科有限公司	Trading	Deregistration under the Predecessor Companies Ordinance	03/11/2006
Wisdom Zone Limited 威智通有限公司	Trading	Deregistration under the Predecessor Companies Ordinance	20/12/2002

Mr. Wu Siu Tong confirmed that each of the above companies was solvent at the time of its dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.



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## DIRECTORS AND SENIOR MANAGEMENT

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### Non-executive Directors

**Mr. CHEUNG Kam Ting (張淦庭)**, aged 73, was appointed as our non-executive Director on 26 January 2017. He is primarily responsible for providing strategic advice to the business and operation of our Group. Mr. Cheung has been serving as a director of some of our subsidiaries including Max Sight since March 1989, and Fullwise since October 1999. Mr. Cheung has over 40 years experience in garment industry, he worked as a managing director in Seven Seas Garment Fty., Ltd, a company engaged in garment manufacturing business, since 1975.

Mr. Cheung Kam Ting was a director of the following company which was incorporated in Hong Kong prior to its dissolution:

<b>Name of company</b>	<b>Principal business activities immediately prior to dissolution</b>	<b>Means of dissolution</b> <i>(Please refer to page 148 for the Notes)</i>	<b>Date of dissolution</b>
Max Sight (China) Limited 名仕中國有限公司	Provision of ID Photos	Deregistration under the Predecessor Companies Ordinance	09/01/2004

Mr. Cheung Kam Ting confirmed that the above company was solvent at the time of its dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

Mr. Cheung will be interested in approximately 7.80% of the issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

**Mr. Riccardo COSTI**, aged 73, was appointed as our non-executive Director on 26 January 2017. He is primarily responsible for providing strategic advice to the business and operation of our Group. Mr. Costi has been serving as a director of some of our subsidiaries, including Max Sight since September 1998, Fullwise since October 1999 and GZ Max Sight since August 2005. Mr. Costi has accumulated over 35 years of extensive experience in the automatic photography industry. Mr. Costi has acted as an executive director of Photo-Me, the chairman of Nippon Auto-Photo Kabushiki Kaisha (Japan), a subsidiary of Photo-Me.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Costi was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

<b>Name of company</b>	<b>Principal business activities immediately prior to dissolution</b>	<b>Means of dissolution</b> <i>(Please refer to page 148 for the Notes)</i>	<b>Date of dissolution</b>
Mega Trend Corporation Limited 萬生有限公司	Never commenced business	Deregistration under the Companies Ordinance	16/12/2016
Nap (Hong Kong) Limited	Never commenced business	Deregistration under the Companies Ordinance	21/04/2017
Techplus Limited 添科有限公司	Trading	Deregistration under the Predecessor Companies Ordinance	03/11/2006

Mr. Costi confirmed that each of the above companies was solvent at the time of its dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

Mr. Costi is a director of members of the Photo-Me Group. Photo-Me is our Substantial Shareholder and is interested in approximately 13.75% of the issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

### **Independent non-executive Directors**

**Mr. NGAI James (倪雅各)**, aged 54, was appointed as our independent non-executive Director on 8 February 2018. Mr. Ngai graduated from University of Toronto in Canada in November 1987 with a Bachelor's degree in Arts. He is a Certified Public Accountant (Practising) in Hong Kong, a member of Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He is also a fellow member of The Taxation Institute of Hong Kong.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Ngai has been a non-executive director and a chairman of the board of directors of Le Saunda Holdings Limited (“**Le Saunda Holdings**”), a company whose shares are listed on the main board of the Stock Exchange (stock code: 738), a manufacturer and retailer of footwear, handbags and accessories, since 25 March 2011 and 1 June 2012, respectively. He has also been a director of Russell Bedford James Ngai CPA Limited, a company which provides advisory and audit services, since 2004.

Mr. Ngai was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

<b>Name of company</b>	<b>Principal business activities immediately prior to dissolution</b>	<b>Means of dissolution</b> <i>(Please refer to page 148 for the Notes)</i>	<b>Date of dissolution</b>
Concept Pacific Limited 行華有限公司	Investment holding	Deregistration under the Companies Ordinance	06/05/2016
Lofield Limited 洛輝有限公司	Investment holding	Deregistration under the Predecessor Companies Ordinance	26/11/2004
Oddbright Limited 傲貴有限公司	Investment holding	Deregistration under the Predecessor Companies Ordinance	09/01/2004
Professional Aquarium Services Company Limited 專業水族工程有限公司	Sale of aquarium products	Deregistration under the Predecessor Companies Ordinance	12/12/2008

Mr. Ngai confirmed that each of the above companies was solvent at the time of its dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. HUI Chi Kwan (許次鈞)**, aged 68, was appointed as our independent non-executive Director on 8 February 2018. Mr. Hui graduated from The University of Hong Kong with a Bachelor's degree in Laws in November 1980 and has been a solicitor practicing in Hong Kong since March 1983. Mr. Hui was a partner of Tony Kan & Co., a law firm in Hong Kong, from 1987 to 2007. He retired from the partnership in 2007 and remained as a consultant of the firm. Mr. Hui has been an independent non-executive director of Le Saunda Holdings since November 2007.

**Mr. KWOK Tsun Wa (郭振華)**, aged 71, was appointed as our independent non-executive Director on 8 February 2018. Mr. Kwok has over 48 years of experience in insurance industry.

Mr. Kwok is a veteran insurance practitioner and has served in senior positions in the following international insurance brokerage firms and general insurance companies since 1985. Mr. Kwok served as the general manager of Lombard Insurance Co. Ltd. from January 1985 to December 1989, where his main duties included formulating and implementation of policies and corporate planning, and representing the company at meetings with government and insurance authority. Subsequently, he acted as the managing director of Lombard Insurance Co. Ltd. from December 1989 to September 1995, where he was responsible for the overall management of the Company and insurance industry affairs in Hong Kong. Mr. Kwok served as the chief executive of HSBC Non-Life Holdings Ltd. from December 1995 to June 1997, where he was responsible for developing and implementing plans which will lead to the overall growth of the business in defined geographies. Mr. Kwok also served as the chairman of Falcon Insurance Co. (HK) Ltd from January 1998 to December 2008, where he was responsible for formulating and executing the business strategies for the company.

Mr. Kwok has been appointed as a non-executive director of the Independent Insurance Authority of Hong Kong for a period of three years from 28 December 2015 to 27 December 2018. Mr. Kwok was the chairman and subsequently the strategic adviser of Marsh (Hong Kong) Limited, an insurance brokerage and risk advisory firm from January 2009 to June 2016. Mr. Kwok completed his secondary school education at Raimondi College in Hong Kong in 1965.

*Notes:*

1. "Deregistration under the Companies Ordinance" refers to the process whereby a private company or a director or a member of a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 751 of the Companies Ordinance. Such application can only be made if (1) all members of the company agree to the deregistration; (2) the company has not commenced operation or business, or has not been in operation or carried on business during the 3 months immediately before the application; (3) the company has no outstanding liabilities; (4) the company is not a party to any legal proceedings; (5) the company's assets do not consist of any immovable property situate in Hong Kong; and (6) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

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## DIRECTORS AND SENIOR MANAGEMENT

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2. “Deregistration under the Predecessor Companies Ordinance” refers to the process whereby a private company or a director or a member of a private company incorporated under the Predecessor Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 291AA of the Predecessor Companies Ordinance. Such application can only be made if (1) all members of the company agree to the deregistration; (2) the company has never commenced business or operation, or has ceased to carry on business or operation for more than three months immediately prior to the application; and (3) the company has no outstanding liabilities.
3. “Striking off” refers to striking off the name of a company from the register of companies by the Registrar of Companies of Hong Kong under section 291 of the Predecessor Companies Ordinance where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation.

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as of the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or Substantial Shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date;
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and
- (iv) is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

As of the Latest Practicable Date, except for such interests of Mr. Jamson Chan, Mr. Timmy Chan and Mr. Cheung in the Shares which are disclosed above and in paragraph “C. Further information about our directors and chief executive – 1. Disclosure of interests” under Appendix V – “Statutory and General Information” to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO. Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

**Mr. TAM Ka Seng (譚家聲)**, aged 44, is the maintenance and operation manager of our Company. Mr. Tam joined our Group in July 1994. Mr. Tam is primarily responsible for supervising the maintenance and general operations of our Group. Mr. Tam has over 23 years of experience in repair and maintenance of photo booths and trouble shooting. Mr. Tam completed the Hong Kong Certificate of Education Examination in 1992.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. CHAN Ernie Shiu Kay (陳少奇)**, aged 41, is the chief technical officer of our Company and is primarily responsible for advising on the technological requirements and technical design for our Group's projects. Mr. Chan joined our Group as a director of MV Asset in October 2003 and resigned as the director of MV Asset in May 2014. Mr. Chan was appointed as deputy general manager in April 2008 and was redesignated as chief technical officer in January 2017. Mr. Chan also has over four years of experience in provision of photocopying services. Mr. Chan became a sole shareholder of Pinnacle Vision Limited in July 2013 which is a company engaging in the provision of photocopying services. He graduated from the University of Minnesota in the United States in arts in December 2006.

**Mr. CHUN Chi Sing, Benny (秦智聲)**, aged 52, is the deputy general administration manager of our Company. Mr. Chun first joined our Group in February 1994. Mr. Chun has served our Group as the deputy general manager of Max Sight since April 2011. Mr. Chun is primarily responsible for the general administration, marketing and business development of our Group. Prior to serving as the deputy general manager of Max Sight, he worked for Max Sight as a manager and an accounting officer from February 1994 to August 2008. Mr. Chun has over 23 years of experience in general administration. Mr. Chun completed his secondary school education in Hong Kong. He completed the Hong Kong Certificate of Education Examination in 1984. Prior to joining our Group, Mr. Chun worked as an assistant trainee in Apex Aluminium Fabricator Co., Ltd., where he was primary responsible for administration work from April 1985 to October 1986. He also worked as an accounts clerk at Tse Sui Luen Jewellery Co., Ltd. from February 1987 to December 1988, as an accounts clerk at Denis Hazell and Company Ltd. from January 1989 to October 1990, and as a senior accounts clerk at Membas Company Limited from November 1991 to May 1993.

### COMPANY SECRETARY

**Mr. LEY Yee Chung Danny (利宜中)**, aged 50, was appointed as our company secretary on 5 July 2017. He is a practicing member, and was admitted as an associate of the Chartered Association of Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and an associated member of the Hong Kong Institute of Chartered Secretaries and Administrative in 1993. He worked for KPMG Peat Marwick, Certified Public Accountant, an accounting firm, between 1989 and 1994, at the time of leaving, he was an assistant manager. Mr. Ley had attended studies in bachelor of arts with honour degree in accountancy at the City University of Hong Kong (formerly called the City Polytechnic of Hong Kong).

Mr. Ley is not engaged as an employee of our Company, but is an external service provider as the company secretary of our Company. Pursuant to Code F.1.1 of the Corporate Governance Code of Appendix 15 to the GEM Listing Rules, an issuer can engage an external service provider as its company secretary, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact. For the above purpose and in compliance with the code, our Company has nominated Mr. Timmy Chan as the contact point for Mr. Ley.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE OFFICER

Mr. Timmy Chan is the compliance officer of our Company. Please refer to the paragraph headed “Executive Directors” above in this section for details of Mr. Timmy Chan’s biography.

### BOARD COMMITTEES

#### Audit Committee

We have established an audit committee on 8 February 2018 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and Codes C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of three members, Mr. Ngai James, Mr. Hui Chi Kwan and Mr. Kwok Tsun Wa all being our independent non-executive Directors. The audit committee is chaired by Mr. Ngai James. The primary duties of the audit committee are to, among other things, assist our Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

#### Remuneration Committee

We have established a remuneration committee on 8 February 2018 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and Code B.1.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The remuneration committee consists of three members, Mr. Ngai James, Mr. Hui Chi Kwan and Mr. Timmy Chan, the majority of which being our independent non-executive Directors. The remuneration committee is chaired by Mr. Ngai James. The primary duties of the remuneration committee include, among others: (a) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to our Board on the remuneration packages of our Directors and senior management; (c) reviewing and approving the management’s remuneration proposals with reference to our Board’s corporate goals and objectives; and (d) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Nomination Committee

We have established a nomination committee on 8 February 2018 with written terms of reference in compliance with Code A.5.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The nomination committee consists of three members, Mr. Jamson Chan, Mr. Ngai James and Mr. Kwok Tsun Wa, a majority of which being independent non-executive Directors. The nomination committee is chaired by Mr. Jamson Chan. The primary duties of the nomination committee is to, among others, identify individuals suitably qualified to become Board members and select, or make recommendations to our Board on the selection of, individuals nominated for directorships.

### CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment. Our Company's corporate governance practices have complied with and will continue to comply with the Corporate Governance Code after the Listing.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration from us in the form of salaries, contributions to pension schemes, discretionary bonuses, other allowances and other benefits in kind.

For each of the two years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, the aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, other allowances and other benefits in kind) paid to our Directors were HK\$2,715,000, HK\$2,153,000 and HK\$1,654,000, respectively, while that paid to our Group's three highest paid individuals (excluding Directors) were HK\$1,263,000 and HK\$1,233,000 for each of the two years ended 31 December 2015 and 2016, and that paid to our Group's two highest paid individuals (excluding Directors) was HK\$814,000 for the eight months ended 31 August 2017.

No payment was made by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Track Record Period. In addition, none of the Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the Track Record Period by any member of our Group to any of our Directors.



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## DIRECTORS AND SENIOR MANAGEMENT

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Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2018 is approximately HK\$3.3 million.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 8 February 2018. Please refer to the section “Appendix V – Statutory and General Information – D. Share Option Scheme” for details of the Share Option Scheme.

### COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Octal Capital Limited to be the compliance adviser, who will have access to all relevant records and information relating to our Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connect transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (c) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group’s business activities, developments or results of operations deviate from any forecast, estimate or other information contained in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDER

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### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer, Causeway Treasure, Photo-Me and Mr. Cheung will each control approximately 53.45%, 13.75% and 7.80% of the voting rights in our Company (excluding the Shares which may be issued upon exercise of the Offer Size Adjustment Option and without taking into account any Shares which may be allotted and issued upon any exercise of the options which may be granted under the Share Option Scheme). As Mr. Jamson Chan, Mr. Timmy Chan and Ms. AY Ying Ho will, through Causeway Treasure, be entitled to control the exercise of the voting rights of 30% or more of the Shares, Mr. Jamson Chan, Mr. Timmy Chan, Ms. AY Ying Ho and Causeway Treasure are considered to be Controlling Shareholders under the GEM Listing Rules immediately following the completion of Capitalisation Issue and Share Offer.

### Acting in concert arrangements

Each of Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan, our Controlling Shareholders, has been acting in concert with each other in exercising and implementing the management and operation of our Group. Because we were a group of private entities in the past, these arrangements were not formalised into writing and each of Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan agreed on these arrangements based on their personal and/or family relationships.

On 7 July 2017, in preparation for the Listing, Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan executed the Deed of AIC 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 upon the Listing to consolidate their control over our Group until and unless the Deed of AIC Confirmation is terminated in writing. The Deed of AIC Confirmation covers our Company and all of our subsidiaries (each a “**Relevant Subsidiary**”) and contains the salient terms as set out below.

With respect to the businesses, operations, management, ownership and other affairs of our Company and the Relevant Subsidiaries, Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan have pursuant to the Deed of AIC Confirmation, reiterated and confirmed to each other that, for the entire duration of the period (the “**Term**”) commencing from the time when Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan were/are the legal or beneficial owners of Shares and/or shares in any of the members of the Group, until the date when Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan agree in writing to terminate the Deed of AIC Confirmation:

- (a) they have agreed to, and shall continue until the termination of the Deed of AIC Confirmation to, consult each other, to act in concert and to reach an unanimous consensus among themselves on such matters (whether to approve, reject or abstain from voting on such matters) being the subject matters of any shareholders’ resolution, prior to putting forward such resolution to be passed at any shareholders’

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDER

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meeting of our Company and the relevant members of the Group, through Causeway Treasure or other investment company or otherwise in other manner, and have historically voted on such resolutions in the same way;

- (b) they have agreed not to, and shall continue until the termination of the Deed of AIC Confirmation not to make any decision that is contrary to the decision of the others among Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan, including, but not limited to, the financing and operating activities of the Group, unless the consent, approval or rejection so made would be in breach of any applicable laws or regulations;
- (c) they have been enjoying, and shall continue to enjoy, the economic benefits generated from the businesses and operations of the Group until the termination of the Deed of AIC Confirmation;
- (d) they have centralised, and shall continue until the termination of the Deed of AIC Confirmation to centralise, through Causeway Treasure or other investment company or otherwise in other manner, the ultimate control and right to make final decisions with respect to their interests in the businesses and operations of the Group;
- (e) they have cooperated, and shall continue until the termination of the Deed of AIC Confirmation to cooperate with each other to obtain and maintain the collective control and the management of the Group, unless such actions so performed would be in breach of any applicable laws or regulations;
- (f) they have operated, and shall continue until the termination of the Deed of AIC Confirmation to operate, manage and own the Group as a single business venture or a group of companies.

Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan further confirm to each other that until the termination of the Deed of AIC Confirmation, save for the purpose of the Reorganisation, they have not transferred and will not transfer, sell or dispose of their respective interests/shareholding in the Relevant Subsidiaries.

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## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDER**

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### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Our Directors are satisfied that our Group can function, operate and carry on our business and is financially and operationally independent from our Controlling Shareholders and their respective close associates based on the following reasons:

#### **No Competition and Clear Delineation of Business**

Our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge and belief after making reasonable enquiries, none of our Controlling Shareholders, our Directors or their respective close associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business under Rule 11.04 of the GEM Listing Rules.

In addition, our Controlling Shareholders have given a non-competition undertaking in favour of our Group. For details, please refer to the paragraphs headed “Deed of Non-Competition of Controlling Shareholders – Non-Competition” in this section below.

#### **Management Independence**

Our Board and members of our senior management function independently of our Controlling Shareholders and their respective close associates. Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Our senior management consists of three members. On the basis of the following reasons, our Directors believe that our Directors and members of our senior management are able to manage our business independently of our Controlling Shareholders and their respective close associates:

- (a) with three independent non-executive Directors out of a total of eight Directors in our Board, there will be independent voice within our Board to counter-balance any situation involving a conflict of interest and to protect the interests of our independent Shareholders;
- (b) all members of our senior management of our Group had, during the Track Record Period, undertaken senior management supervisory responsibilities in our business. The responsibilities of our senior management team include supervising the maintenance and general operations of our Group, advising on the technological requirements and technical design for our Group’s projects and managing general administration, marketing and business development of our Group. Their management and supervisory functions help to ensure that the management and daily operations of our Group is independent of those of our Controlling Shareholders;

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- (c) each of our Directors is aware of his/her fiduciary duties as a Director of our Company, which require, among other things, that he/she acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director;
- (d) all of our executive Directors and members of our senior management will be able to devote their full time and attention to managing our Group's operations;
- (e) connected transactions between our Group and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the GEM Listing Rules including the rules relating to annual reporting, review, announcement, circular and independent Shareholders' approval (where applicable); and
- (f) a number of corporate governance measures set out in the paragraph headed "Corporate Governance Measures" in this section are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders and to safeguard the interests of our independent Shareholders.

### **Operational Independence**

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent of our Controlling Shareholders, and other companies controlled by our Controlling Shareholders for the following reasons:

- (a) our Group has sufficient capital, equipment and employees to operate our business independently;
- (b) our Company has our own operational and administrative resources and we do not share such resources with our Controlling Shareholders or other companies controlled by our Controlling Shareholders;
- (c) our Company has our own organisational and corporate governance structure and has established our own accounting, legal and human resources departments; and
- (d) our Company has established a set of internal control procedures to facilitate the effective operation of our business.

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### **Financial Independence**

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their respective close associates upon Listing. All loans, advances and balances due to and from our Controlling Shareholders and their respective close associates have been fully settled and that all share pledges, guarantees and other securities provided by our Controlling Shareholders and their respective close associates for our Group's borrowings will be fully released prior to Listing.

Our Group makes financial decisions according to our own business needs. Our Directors are satisfied that we have sufficient capital for our financial needs and are capable of conducting our business independently of any of our Controlling Shareholders (including their respective close associates) upon Listing.

### **PHOTO-ME, OUR SUBSTANTIAL SHAREHOLDER**

#### **General information**

Photo-Me will hold 13.75% of the total issued share capital of our Company after the Listing (assuming the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme are not exercised), hence it will be our Substantial Shareholder.

Photo-Me is a limited liability company incorporated in the UK and has been listed on the London Stock Exchange (LSE: PHTM) since 1962. The Photo-Me Group is principally engaged in the operation of automatic vending equipment mainly including photo booths, digital printing kiosks, laundry units, amusement machines and business service equipment aimed primarily at the consumer market. As of 30 April 2017, the Photo-Me Group has business operation in 18 countries worldwide of which the largest geographic segments, namely United Kingdom & Ireland and Continental Europe, contributed to approximately 77.0% of the revenue of the Photo-Me Group for the financial year ended 30 April 2017. The Photo-Me Group is also the world's largest manufacturer of automatic ID photo booths.

The Photo-Me Group has a history of technical innovation and has expanded into offering security management solutions to governments leveraging three-dimension (3D) identification technology and secured digital transmission of identification data, in particular passports and driving licences. In March 2017, Photo-Me announced to launch encrypted photo ID photo booths in partnership with the Irish government as a part of a new online passport renewal system.

Based on its annual report for the year ended 30 April 2017, the Photo-Me Group recorded total revenue of approximately £214.7 million and profit after tax of approximately £35.1 million. As at 6 October 2017, the market capitalisation of Photo-Me was approximately £659.8 million.

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### Relationship with our Group

We have more than 24 years of business relationship with the Photo-Me Group starting from 1993 when we began procuring photo booths from the Photo-Me Group for our business operation in Hong Kong. In October 1999, as a recognition of our marketing of its products and our service quality in the application of its products in Hong Kong, Photo-Me became a passive investor of Fullwise, one of our operating subsidiaries in Hong Kong without active involvement in our daily operation and management. Following the formation of shareholding relationship between Photo-Me and our Group, the Photo-Me Group has begun supplying photo booths and photo booth consumables to us in Hong Kong and we have become the sole customer of the Photo-Me Group in its photo booth operation in Hong Kong. Since 2005, the Photo-Me Group extended the supply of its photo booths to us through leasing in Guangzhou and also supplied the photo booth consumables to us. During the Track Record Period, our aggregate purchases of photo booths and spare parts from the Photo-Me Group amounted to approximately HK\$0.04 million, HK\$1.2 million and HK\$0.4 million, accounting for 1.7%, 100% and 100% of our total photo booth and spare part purchases, respectively, whilst our purchases of photo booth consumables from the Photo-Me Group amounted to approximately HK\$1.1 million, HK\$1.3 million and HK\$0.6 million, accounting for approximately 84.5%, 88.7% and 83.1% of our total purchase of photo booth consumables, respectively, for the same periods. Our lease expenses paid to the Photo-Me Group for leasing the photo booths in Guangzhou amounted to approximately HK\$0.3 million, HK\$0.2 million and HK\$0.1 million, accounting for approximately 1.0%, 0.6% and 0.4% of our total costs of sales respectively, for the Track Record Period. As at the Latest Practicable Date, we have replaced all 40 leased photo booths from the Photo-Me Group with our self-owned photo booths. For more details, please refer to the section headed “Business – Our Strategies” in this prospectus.

### Mutual and complementary reliance between us and the Photo-Me Group

Our Directors are of the view that our reliance on the Photo-Me Group is mainly due to the following reasons:

- **Industry norm for reliance on large-scale photo booth manufacturers:** According to the F&S Report, the ID photo booth manufacturing industry is relatively concentrated, and the global automatic photo booth manufacturing industry is dominated by a few key manufacturers and it is an industry norm for automatic ID photo booth operator to rely on a few manufacturers for the supply of photo booths. By the end of 2016, Photo-Me was the single largest photo booth manufacturer in the world, dominating more than 50% of the market share globally whereas the second and third leading manufacturers accounted for approximately 10% and 4% of the global market respectively.

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Given the aforementioned reason, and considering that the automatic ID photo service market is relatively smaller than that in the PRC, the Photo-Me Group enjoyed first mover advantage by supplying ID photo booths to the Hong Kong market more than 20 years ago, thus become the single largest supplier for automatic ID photo booth in Hong Kong. Further, Photo-Me Group's global leadership position and strength in technology advancement and product customisation, and being our Substantial Shareholder having a long-term business relationship with us for more than 24 years, our Directors believe that it is not commercially sensible for us to break off reliance from the Photo-Me Group for the supply of photo booths in Hong Kong and we have inclined to continue to source photo booths from the Photo-Me Group for the Hong Kong automatic ID photo booth services market. However, it is possible to switch to other suppliers, subject to business risks of other suppliers not being able to response to customisation of Specification Requirements in a timely manner.

According to F&S Report, with respect to the PRC automatic ID photo booth market, it is an industry norm for automatic photo booth operators like us to rely heavily on a few top automatic ID photo booth manufacturers for the supply of photo booths. The PRC automatic ID photo booth market is dominated by four major large scale manufacturers, each accounting for a market share of approximately 29.8%, 21.3%, 12.8% and 8.5%, respectively, or approximately 72.4% collectively, in terms of number of photo booths manufactured in 2016 according to the F&S Report. Among these four major photo booth manufacturers, Supplier A (the largest manufacturer) and the Photo-Me Group (the second largest manufacturer) already accounted for an aggregate market share of approximately 51.1% collectively in terms of number of photo booths manufactured in 2016. Both Supplier A and the Photo-Me Group are our suppliers of photo booths in the PRC automatic ID photo booth market. According to F&S Report, it is usual and common for photo booth operators to rely on such large-scale photo booths manufacturers to secure stable supply of photo booths and reliable service quality in the PRC.

As at 31 December 2017, we operated 207 photo booths, of which 79 photo booths were sourced from Supplier A and 128 photo booths were sourced from the Photo-Me Group, accounting for approximately 38% and 62%, respectively, of our total photo booths. Particularly for year ended 31 December 2015, we purchased a total of 24 photo booths, 100% of which were sourced from the Supplier A in an amount of approximately HK\$2.5 million; for year ended 31 December 2016, we purchased a total of 16 photo booths, 100% of which were sourced from the Photo-Me Group in an amount of approximately HK\$1.2 million; and for the year ended 31 December 2017, we placed purchase orders for total 110 photo booths, among which 70 photo booths or 64% of total purchase orders were sourced from Supplier A in an amount of approximately HK\$6.8 million, and 40 photo booths or 36% of total purchase orders were sourced from the Photo-Me Group in an amount of approximately HK\$3.0 million. In light of our expansion plan in Guangdong Province and our effort to balance our photo booth procurement from different suppliers, we intend to adjust the level of sourcing photo booths from Supplier A and/or other suppliers in the coming years. Our Directors therefore believe that this would help reduce the level of our reliance on the Photo-Me Group in the future. For the year ending 31 December 2018, we intend to purchase a total of 97 photo booths,



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among which 45 photo booths or 46% of our total planned purchase in an amount of approximately HK\$4.3 million from Supplier A and/or Potential Vender, and 52 photo booths or 54% of our total planned purchase in an amount of approximately HK\$3.8 million from the Photo-Me Group respectively; for the year ending 31 December 2019, we intend to purchase a total of 143 photo booths, among which 70 photo booths or 49% of our total planned purchase in an amount of approximately HK\$6.7 million from Supplier A and/or Potential Vender and 73 photo booths or 51% of our total planned purchase in an amount of approximately HK\$5.3 million from the Photo-Me Group.

- **Photo-Me is our Substantial Shareholder:** Photo-Me has become a passive investor of our Group since 1999. After the Listing (assuming the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme are not exercised), Photo-Me will be a Substantial Shareholder holding 13.75% of the total issued share capital of our Company and Mr. Riccardo Costi, a representative from the Photo-Me Group, is appointed as a non-executive Director. Our Directors expect that the Photo-Me Group will continue to be involved in the future development of our Group on and after Listing. As a result of our long-term relationship with the Photo-Me Group and the fact that we have been procuring photo booths from them for more than 24 years, the Photo-Me Group provides us with credit terms of 60 days which our another machine vendor does not offer.
- **Mutual and complementary reliance and benefits:**

(i) *Valued business partner for mutual benefits*

Our Directors believe that our established business relationship with the Photo-Me Group for more than two decades is complementary to their presence and geographical coverage of photo booths in Hong Kong and Guangdong Province. The Photo-Me Group supplies photo booths and the photo booth consumables to our Group in Hong Kong and Guangdong Province. According to the F&S Report, we are the only automatic photo booth operator in Hong Kong, and also a dominant automatic photo booth operator in Guangdong Province, accounting for approximately 11.0% of the market share in terms of number of photo booths operated in Guangdong Province. Our extensive local business network has assisted in stimulating the sale of Photo-Me's photo booths in Hong Kong and in Guangdong Province.

While we procured most of our photo booths and photo booth consumables from the Photo-Me Group during the Track Record Period, Photo-Me Group relied on us for the sales of photo booths and photo booth consumables in Hong Kong and Guangdong Province and to benefit from our results of operations through its investment in our Group. In addition, being the largest and the only automatic ID photo booth operator in Hong Kong, we have established stable business relationships and also entered into agreements, which contain fixed terms generally

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ranging from one to approximately six years with site owners located in prime locations such as PRC permits issuing authority, ID Documentations Issuing Authorities and over one-third of all the metro stations in Hong Kong. The Photo-Me Group relies on us for the sale of automatic ID photo booth in Hong Kong and benefits from our established and stable relationships with such site owners in Hong Kong. Our Directors believe that the long-term cooperation has cultivated confidence and mutual reliance between our Group and the Photo-Me Group over the years.

*(ii) Mutual and complementary reliance by the Photo-Me Group on us to expand PRC ID Documentation Issuing Authorities Sector in Guangdong Province*

Photo-Me is currently the world's largest operator of automatic ID photo booths and a major supplier of instant vending equipment with a strong presence in Europe which generated approximately 77.0% of its total revenue for its year ended 30 April 2017. The remaining 23.0% of Photo-Me Group's revenue was generated from Asia and the rest of world for the year ended 30 April 2017, of which Japan is the major market of Photo-Me Group in Asia. Photo-Me Group's PRC business operation is primarily based in Shanghai. During the Track Record Period, Photo-Me Group relied on our Group solely to supply photo booths (as a photo booths supplier instead of a photo booths operator) in Hong Kong and Guangdong Province. Although our Group has only contributed to approximately 0.1% of Photo-Me's total revenue for the year ended 30 April 2017, all Photo-Me's revenue derived from Hong Kong and Guangzhou were contributed by our Group as its sole customer in its photo booth operations in Hong Kong and its exclusive photo booth lessee in Guangzhou.

ID Documentation Issuing Authorities across various provinces and/or cities in China may implement different procedures and/or requirements for assessing whether the ID photos satisfy the Specification Requirements. The local government authorities such as the PRC Municipal Public Security Bureaus in the different provinces and/or cities may also have different requirements and/or procedures to regulate and supervise the selection of automatic photo booth operators and the operation of automatic ID photo booths at various PRC ID Documentation Issuing Authorities, such as the location of photo booths, restrictions and working hours of the operation of automatic ID photo booths and the licences, permits and/or approvals required to be obtained by automatic ID photo booth operators where appropriate. During the Track Record Period, substantially all the PRC ID Documentation Issuing Authorities ("PRC Public Security-controlled ID Documentation Issuing Authorities") in China where the Group currently operates photo booths are under the supervision of the PRC Municipal Public Security Bureaus in Guangdong Province, and the installation and operation of ID Card processing and application machines (身份證辦證機) would require the approval of the PRC Municipal Public Security Bureaus. Based on the information gathered by

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the Company throughout years of operation in the Guangdong Province to their best knowledge, our Directors were given to understand that, despite the absence of written policies that are publicly available, it is possible that the Municipal Public Security Bureau, in view of public security and confidentiality concerns, implements unofficial assessment measures for the installation and operation of photo booths, which are used primarily for the purpose of ID documentation applications, at the sites of the PRC Public Security-controlled ID Documentation Issuing Authorities, and would therefore give priority to Chinese/Hong Kong-based photo booth operators with relevant operation experience at and have long-term relationships with other ID Documentation Issuing Authorities, such as the Group. In view of this, leveraging on our proven track record of operating automatic photo booths at the sites of the PRC ID Documentation Issuing Authorities in Hong Kong and our entrenched market position in offering automatic ID photo service in Guangdong Province, we have been approached by Prestige Technology and the affiliate of the driving license authority (the “Driving Licence Authority Affiliate”) to collaborate the offering of automatic photo booth services at the sites of the PRC Public Security-controlled ID Documentation Issuing Authorities. While through years of operations, we have established close relationship with Prestige Technology and the Driving Licence Authority Affiliate which have close ties with relevant PRC authorities.

To the best knowledge of our Directors, Photo-Me Group has not established such relationship with PRC ID Documentations Issuing Authorities or their affiliates and Photo-Me Group has not installed or operated any photo booths at ID Documentations Issuing Authorities in China except through those operated by our Group, during the Track Record Period and up to the Latest Practicable Date. As such, our Directors believe that the Photo-Me Group will not only be benefited from its close relationship with our Group to develop new validation photo booths tailor-made for the PRC ID Documentations Issuing Authorities, but will also be able to expand their revenue stream by selling PRC Validation Photo Booths to us that will be placed at the PRC ID Documentations Issuing Authorities, especially the PRC Public Security-controlled ones.

In view of (i) the stringent requirements and restrictions on the selection automatic photo booth operators by the PRC Municipal Public Security Bureau for public security and confidentiality; (ii) the Chinese background of our Group with proven operating track record for PRC ID Documentation Authorities sector in both Hong Kong and Guangdong Province; (iii) our substantial expertise and in-depth understanding of the procedures for assessing whether ID Photos satisfy

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Specification Requirements in Guangdong Province which may be different from those in other provinces and/or cities of China; (iv) our immediate access to the PRC Public Security-controlled ID Documentation Issuing Authorities sector by leveraging on our established long-term business relationship with the Driving Licence Authority Affiliate and our collaboration with Prestige Technology to introduce and operate the permits application/photo-taking machines in certain PRC ID Documentations Issuing Authorities in Guangdong Province, our Directors believe that Photo-Me Group will not only be benefited from its close partnership with our Group to develop new validation photo booths tailor-made for the PRC ID Documentations Issuing Authorities in Guangdong Province, but will also be able to expand their revenue stream by selling PRC Validation Photo Booths to us that will be placed at the PRC ID Documentations Issuing Authorities. Besides, our competitive strength to secure locations in PRC ID Documentation Issuing Authorities to operate photo booths in Hong Kong and Guangdong Province and our ability to respond to the changing Specification Requirements for various ID documentations imposed by PRC ID Documentation Issuing Authorities has enabled the Photo-Me Group to expand their sales of photo booths that can be placed at the PRC ID Documentation Issuing Authorities in China.

*(iii) Strengthening cooperation to collaborate on business opportunities in Hong Kong, Guangdong Province and Macau*

As a Substantial Shareholder of our Group, Photo-Me relies on us for the operation of automatic photo booths within Hong Kong, Guangdong Province and Macau (the “**Restricted Territory**”) in the Restricted Territory. Therefore, Photo-Me entered into the Photo-Me Deed of Non-Competition with us on 6 July 2017, pursuant to which Photo-Me Group covenanted to our Group that it will not engage in the operation of automatic photo booths within the Restricted Territory for a period of five years from the date of the Photo-Me Deed of Non-Competition. For further details, please refer to the section headed “Relationship with Controlling Shareholders and Substantial Shareholder – Deed of Non-Competition of Substantial Shareholder” of this prospectus. It was intended that Photo-Me shall enjoy the share of profit from the photo booth operator business in Hong Kong, Guangdong Province and Macau through its investment in our Group as a Substantial Shareholder. Our Directors consider that pursuant to our expansion plan, we will be able to expand our operations of photo booths in areas of high footfall in Guangdong Province and increase our market share in Guangdong Province in the next few years. Given our track record of achieving leading position in Hong Kong market, we believe that after the expiry of the Photo-Me Deed of Non-Competition, we can replicate our successful business model in Hong Kong to Guangdong Province and will be able to strengthen and enhance our market position and establish a stronger foothold in the market to fend off potential competitions in Hong Kong and Guangdong Province, making it much less favorable for Photo-Me to directly compete with us. Our Directors also believe that with our established and long-term business and shareholding relationship with Photo-Me, it is likely that we can renew the Photo-Me Deed of Non-Competition after negotiation.

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For the purpose of the Share Offer, to avoid any disruption to the continuous steady supply of the quality products for our business operation and expansion, Photo-Me Group entered into the Master Supply Agreement with us on 9 July 2017 (as amended and supplemented by a supplemental agreement dated 7 November 2017 and entered into between Photo-Me and our Company), pursuant to which Photo-Me Group undertook to sell the photo booths as well as their respective consumables and spare parts to our Group for a period of not exceeding three years from the date of the agreement. Pursuant to the Master Supply Agreement, Photo-Me Group and we agreed to a non-binding expected annual total amounts of sale and purchase of the photo booths and photo booth consumables (the “**Expected Transaction Amounts**”). The Expected Transaction Amounts which Photo-Me Group agreed are higher than the historical transaction amounts for photo booths and photo booth consumables we had with Photo-Me Group during the Track Record Period as Photo-Me Group and us have taken into account of our Group’s expansion plan in Hong Kong and Guangdong Province. We believe that our expansion plan in Hong Kong and Guangdong Province will stimulate the sales of photo booths and photo booth consumables by Photo-Me in the said regions.

- **Long term stable supply of photo booths and reliable service quality:** As the leading ID photo booth operator in Hong Kong, we take pride in our ability to deliver consistently high quality photos which are attributable to the stable supply of high quality photo booths by the Photo-Me Group since 1993. During the Track Record Period and as at the Latest Practicable Date, we have not experienced any shortage or delay of supply of photo booths and consumables from the Photo-Me Group, nor have we had any material disputes with them. Our Directors are of the view that the long history of the cooperation between our Group and the Photo-Me Group and their proven record of timely delivery of photo booths and meeting our quality requirements have established a strong foundation for furthering our business cooperation. We have entered into a long-term supply agreement with the Photo-Me Group, please refer to the paragraphs head “Master Supply Agreement” in this section for details.
- **Photo booths with advanced technology:** The Photo-Me Group, as the largest automatic ID photo booth manufacturer in the world as of 2016 with over 50 years of operating history, has excelled in technical innovation of photo booths. Their photo booths have expanded into offering security management solutions to governments leveraging 3D identification technology and secured digital transmission of identification data, in particular passports and driving licences. According to the F&S Report, automatic photo booths supplied by the Photo-Me Group are equipped with software to guide customers to position themselves correctly during the photo shooting process. It also performs test to check the photos taken before printing. Our Directors consider that the photo booths supplied by the Photo-Me Group produce consistently high quality ID photos which can satisfy the Specification Requirements.

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- **Timely delivery, efficient and extensive after-sales services:** The Photo-Me Group provides timely delivery and efficient and extensive after-sales support services to our operation of ID photo booths in Hong Kong and Guangdong Province compared to other photo booth manufacturers. Photo-Me also provides emergency services should we encounter any technical difficulties in operating the photo booths.

### **Master Supply Agreement**

To ensure the continuous supply stability and continuity of our business operation, our Directors are of the view that it is in the interests of our Company and our Shareholders as a whole to enter into the Master Supply Agreement with the Photo-Me Group. Pursuant to the Master Supply Agreement, the pricing, quantity and specifications of the products to be supplied shall comply with those specified in the purchase orders to be placed by our Group. The Photo-Me Group also undertakes to sell the photo booths and photo booth consumables to our Group in Hong Kong and Guangdong Province for a period of not exceeding three years from the date of the Master Supply Agreement, after which the Master Supply Agreement may be renewed for a period of two years upon compliance with the then applicable reporting, announcement and annual review requirements and if necessary, the circular and independent shareholders' approval requirements, under Chapter 20 of the GEM Listing Rules. For details of the Master Supply Agreement, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – Master Supply Agreement" in this prospectus.

### **Sustainability of the supply of photo booths**

Considering the reasons set out in the foregoing paragraphs and the fact that Photo-Me has been our Shareholder since 1999, our Directors are of the view that the risk of the Photo-Me Group terminating its existing business relationship with our Group is remote. During the Track Record Period and as at the Latest Practicable Date, we have not experienced any shortage or delay of supply of photo booths and consumables from the Photo-Me Group, nor have we had any material disputes with them. Please refer to the section headed "Risk Factors – Risks relating to Our Business and Operation – We procured most of our photo booth consumables from the Photo-Me Group during the Track Record Period" in this prospectus for the risks of procuring from limited number of photo booth vendors. To manage the relevant risks, in addition to entering into of the Master Supply Agreement with the Photo-Me Group, we have formulated plans to broaden our photo booth vendor network. Please refer to the paragraph headed "Measures undertaken and to be undertaken to diversify the supply of photo booths from alternative suppliers and lessen reliance on the Photo-Me Group" in this section below.

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### **Measures undertaken and to be undertaken to diversify the supply of photo booths from alternative suppliers and lessen reliance on the Photo-Me Group**

#### *Availability of alternative suppliers*

While we endeavour to secure long-term stable supply of photo booths and consumables from the Photo-Me Group by entering into the Master Supply Agreement with them, our Directors recognise the importance of expanding our photo booth vendor network with a view to sustaining long-term growth. As such, our Directors have been reviewing prices and quality of photo booths from existing independent photo booth vendor and/or potential new photo booth vendors in the market on a continuous basis and seek to foster relationships with existing and/or potential new photo booth vendors if they consider appropriate. We reviewed the prices and quality of photo booths manufactured by two alternative photo booth suppliers, namely (i) Supplier A, our existing independent photo booth vendor, and (ii) a potential new photo booth vendor (the “**Potential Vendor**”). According to F&S Report, Supplier A is the largest supplier of automatic ID photo booth domestically grown from China, which occupied nearly 29.8% share of the market in the PRC market and 2.9% of global market in terms of the number of photo booths in 2016.

The Potential Vendor, on the other hand, is an European supplier of photo booths, which occupied nearly 18.4% share of the global market in terms of the number of photo booths and can deliver photo products in conformity with specification standards for US and European passports, driving license and ID cards. We examined and compared the specifications, models and functions of the photo booths from Supplier A and the Potential Vendor, ran photo-taking tests for the photo booths on whether they can meet the Specification Requirements, and compared the price of the photo booths. In the unlikely event that our written agreements with the Photo-Me Group are not renewed upon expiry or are terminated for whatever reason, we are able to source photo booths from Supplier A and the Potential Vendor without any significant difficulty.

Our Directors are of the view that although the respective scales of operations of Supplier A and the Potential Vendor are relatively smaller than that of Photo-Me Group in terms of global market share, the price and quality of photo booths which we procured from Supplier A during the Track Record Period and the photo booths and other products manufactured by the Potential Vendor were satisfactory to us and the terms offered by the Supplier A and the Potential Vendor for the supply of photo booths were similar to those offered by the Photo-Me Group to us which we found satisfactory.

#### *Measures undertaken and to be undertaken to lessen reliance on the Photo-Me Group*

Supplier A was also one of our main suppliers of automatic ID photo booths during the Track Record Period. As at 31 December 2017, we operated 207 photo booths among which 79 units were sourced from Supplier A and 128 units were sourced from the Photo-Me Group, accounting for approximately 38% and 62%, respectively, of our total photo booths. For year

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ended 31 December 2015, we purchased a total of 24 photo booths, 100% of which were sourced from the Supplier A in an amount of approximately HK\$2.5 million; for year ended 31 December 2016, we purchased a total of 16 photo booths, 100% of which were sourced from photo booths from the Photo-Me Group in an amount of approximately HK\$1.2 million; and for the year ended 31 December 2017, we placed purchase orders for a total of 110 photo booths, among which 70 photo booths or 64% of total number of photo booths pursuant to purchase orders were sourced from Supplier A in an amount of approximately HK\$6.8 million and 40 photo booths or 36% of total number of photo booths pursuant to purchase orders were sourced from the Photo-Me Group in an amount of approximately HK\$3.0 million. In light of our expansion plan in Guangdong Province and our effort to balance our photo booth procurement from different suppliers, we intend to adjust the level of sourcing photo booths from Supplier A in the coming years. Our Directors therefore believe that this would help reduce the level of our reliance on the Photo-Me Group in the future. For the year ending 31 December 2018, we intend to purchase a total of 97 photo booths among which 45 photo booths or 46% of our total planned purchase in an amount of approximately HK\$4.3 million from Supplier A and/or Potential Vender, and 52 photo booths or 54% of our total planned purchase in an amount of approximately HK\$3.8 million from the Photo-Me Group respectively; For the year ending 31 December 2019, we intend to purchase a total of 143 photo booths among which 70 photo booths or 49% of our total planned purchase in an amount of approximately HK\$6.7 million from Supplier A and/or Potential Vender, and 73 photo booths or 51% of our total planned purchase in an amount of approximately HK\$5.3 million from the Photo-Me Group. We also intend to continue our business relationship with Supplier A and seek to foster our business relationship with the Potential Vendor, in order that in the event our relationship with the Photo-Me Group is disrupted or terminated, we can timely finalise and agree with them the terms of supply of photo booths to us. We intend to purchase photo booths from the Potential Vendor and the delivery of the photo booth by the Potential Vendor is expected in first half of 2018.

Nonetheless, given that Photo-Me Group and we have been mutually and complementarily relied on each other through our business relationships for over two decades, our Directors do not have the intention to shift to other vendors in a rapid and substantive manner, as they consider the Photo-Me Group as a competitive, reputable and reliable photo booth vendor.

In respect of our expansion plan as set out in the section headed “Statement of Business Objectives and Use of Proceeds” in the prospectus, our Group intends to purchase photo booths from Photo-Me Group, Supplier A and any other potential vendors that our Group may find satisfactory.

### **Potential Competing Business**

The Photo-Me Group is the world’s leading operator of photo booths and has business operation of photo booths in the PRC, primarily in Shanghai and Beijing. The Photo-Me Group also has its own production facilities in Shanghai. Given the fact that our business operations are independent from those of the Photo-Me Group, our target markets are Hong Kong, Macau and Guangdong Province which are different from those of the Photo-Me Group.



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDER

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### DEED OF NON-COMPETITION OF SUBSTANTIAL SHAREHOLDER

Photo-Me, being a Substantial Shareholder of the Company, on behalf of itself and its affiliates together as covenantors entered into the Photo-Me Deed of Non-Competition in favour of our Company (for ourselves and as trustee for and on behalf of other members of our Group) on 6 July 2017.

#### **Non-Competition**

In accordance with the Photo-Me Deed of Non-Competition, Photo-Me undertakes that, from the Listing Date and ending on the occurrence of the earliest of (a) the date on which our Shares cease to be listed on the Stock Exchange; (b) the date on which Photo-Me and its close associates individually or collectively holding less than 5% of the issued shares of our Company; and (c) for a period of five years from the date of the Photo-Me Deed of Non-Competition (the “**Restricted Period**”), it will not, and will procure that its close associates (except members of our Group) will not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm, company, body corporate, partnership, joint venture or other contractual arrangement (except through any member of our Group), among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a principal, shareholder, partner, director, consultant, agent, employee, or otherwise, and whether for profit, reward or otherwise) any interest in the business of operating automatic photo booths and any other business from time to time conducted, engaged in or invested in by any member of our Group or which our Company has published an announcement on the website of the Stock Exchange and/or the website of our Company stating its intention to conduct, engage in or invest in, where in such case the Company and/or the Group will notify Photo-Me on or before the publication of the announcements (the “**Restricted Business**”), which is within Hong Kong, Macau and Guangdong Province (the “**Restricted Territory**”).

The Photo-Me Deed of Non-Competition does not preclude Photo-Me and its close associates from:

- (a) holding of interests in the shares of any member of our Group;
- (b) carrying on, participating, or being interested or engaging in or acquiring or holding interest of any Restricted Business which is outside the Restricted Territory and such Restricted Business outside the Restricted Territory has been carried on and participated by Photo-Me before the entering of the Photo-Me Deed of Non-Competition; and
- (c) supplying any photo booth and photo booth consumables by the Photo-Me or their close associates to our Company and our Group under the Master Supply Agreement entered into between our Company and Photo-Me.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDER

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### **Restricted Territory Business Opportunities**

If Photo-Me and/or its close associates is offered or becomes aware of or made available to it and/or its close associates any investment or commercial opportunity directly or indirectly relating to the Restricted Business which is in the Restricted Territory (the “**Restricted Territory Business Opportunity**”), it shall promptly notify our Company of the Restricted Territory Business Opportunity in writing and provide all information which Photo-Me and/or its close associates is aware in relation to such Restricted Territory Business Opportunity. Such notice shall set out the nature of the Restricted Territory Business Opportunity, the identity of the target asset(s) or company(ies), the details of the investment or acquisition costs and all such other information reasonably necessary for our Company to consider whether to pursue such Restricted Territory Business Opportunity.

### **New Business Opportunities**

During the Restricted Period, if our Company is offered or becomes aware of or made available to us and/or our close associates any investment or commercial opportunity directly or indirectly relating to the Restricted Business which is in any part of the PRC but outside the Restricted Territory (the “**New Business Opportunity**”), we shall promptly notify Photo-Me of the New Business Opportunity in writing and provide all information which our Company and/or our close associates (where applicable) is aware in relation to such New Business Opportunity. Photo-Me and our Company shall engage in amicable negotiation to make a collective decision on which party should take up the New Business Opportunity, and to agree on terms and conditions of collaboration should both parties agree to collaborate and take up the New Business Opportunity together.

Under the Photo-Me Deed of Non-Competition, Photo-Me and/or its close associates further undertake to and covenant with our Company that during the period for which the Photo-Me Deed of Non-Competition is in force that it shall, include but not limited to:

- (a) provide all reasonable assistance to our Company for an annual review by our independent non-executive Directors of the Photo-Me’s compliance with such undertakings and the enforcement of the Photo-Me Deed of Non-Competition;
- (b) provide all reasonable assistance to our Company in the compliance of the applicable requirements of the GEM Listing Rules and other laws and regulations applicable to our Company, and upon the enquiry by the Stock Exchange and/or the SFC;
- (c) provide all information as reasonably requested by our Company and/or our auditors for the purpose of our Company’s auditors to conduct audit work for our Company in connection with the transactions between our Company and Photo-Me;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDER

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- (d) not directly or indirectly and in any capacity whatsoever, solicit or seek or accept any business or orders from or enter into discussion or negotiation or make any business arrangement with any person or entity that is or is negotiating to be or was during a period of two years prior to the expiry of the Restricted Period, a site owner, licensor or landlord of the site or premises where our Company and/or our Group operate the Restricted Business at, both during the Restricted Period and within a period of one year after the expiry of the Restricted Period, other than for our Company and/or our Group; and
- (e) not without the prior written consent of our Company use the trade name “Max Sight Photo”, or other trademarks, trade names, logos of any member of our Group, other than for our Company and/or our Group.

The undertakings given by Photo-Me and/or its close associates under the Photo-Me Deed of Non-Competition shall lapse and Photo-Me and/or its close associates shall be released from the restrictions imposed on them upon the expiry of the Restricted Period.

To safeguard our Group’s interests and avoid potential conflict of interests between Photo-Me Group and our Group in respect of the New Business Opportunities, we have the following mechanisms in place:

- (i) our independent non-executive Directors will review and discuss decisions to the Board with basis, on annual basis, the compliance with the Photo-Me Deed of Non-Competition;
- (ii) as part of Photo-Me’s contractual obligations to comply with the Photo-Me Deed of Non-Competition that it will provide all reasonable assistance to our Company for an annual review by our independent non-executive Directors of Photo-Me’s compliance with the Photo-Me Deed of Non-Competition, we will request Photo-Me to confirm to our Company on annual basis about its involvement in the Restricted Business in the Restricted Territory, if any, and to confirm that it is in compliance with the Photo-Me Deed of Non-Competition on annual basis;
- (iii) our company secretary is designated to review on monthly-basis the public documents of Photo-Me such as its annual reports and announcements to monitor if there is any potential conflict of interest in the business of Photo-Me Group and our Group, and report to our independent non-executive Directors any red flag issues identified;
- (iv) our independent non-executive Directors may appoint professional advisers as they may consider appropriate to advise them on any matter relating to the Photo-Me Deed of Non-Competition including but not limited to the enforcement of the Photo-Me Deed of Non-Competition;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDER

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- (v) to ensure that our Group to negotiate on a level playing field with the Photo-Me Group, after we notify Photo-Me of any New Business Opportunities, our Directors will discuss with Photo-Me Group regularly on the New Business Opportunities to keep ourselves abreast of any further information, occurrence and development about such business opportunities so that we can determine whether to pursue such business opportunities and to negotiate for any collaboration with the Photo-Me Group when necessary; and
  
- (vi) in respect of the New Business Opportunities, we will remind Photo-Me Group to observe its obligations under the Photo-Me Deed of Non-Competition when our Group shall notify Photo-Me Group of the details of the New Business Opportunities in writing.

### DEED OF NON-COMPETITION OF CONTROLLING SHAREHOLDERS

Our Controlling Shareholders as covenantors (each a “**Covenantor**”, and collectively the “**Covenantors**”) entered into the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) on 8 February 2018 and confirmed that none of them is engaged in any business which directly or indirectly, competes or is likely to compete with the business of our Company and any of our subsidiaries, or has any interest in such business.

#### Non-Competition

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (a) the date on which our Shares cease to be listed on GEM; (b) the date on which the Covenantors and their close associates cease to be a Controlling Shareholder of our Company; and (c) the date on which the Covenantors and their close associates cease to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of our Company, he/she/it will not, and will use his/her/its best endeavours to procure his/her/its close associates (collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by any Covenantor (the “**Controlled Company(ies)**”) not to, either on his/her/its own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate be involved, invest or be interested in or engaged in assist or support any third party in the operation of or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether or not for profit, reward or otherwise), any activity or business which is or may be in competition, directly or indirectly, with our Group’s business (the “**Restricted Business**”).

The Deed of Non-Competition does not apply to:

- (a) the holding of or interests in the shares of any member of our Group; or

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDER

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- (b) the holding of or interests in shares or other securities in any company other than our Group, provided that, in the case of such shares, they are listed on a recognised stock exchange and either:
  - (i) the relevant Restricted Business conducted or engaged in by such company or its subsidiaries (or assets relating thereto) accounts for less than 10% of that relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
  - (ii) the total number of the shares held by the Controlled Persons and Controlled Company(ies) in aggregate represents an interest not exceeding 5% of the issued shares of the company in question, and the Covenantors and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there should exist at least another shareholder of that company (together, where appropriate, with its close associates) whose shareholdings in that company should be more than the total number of shares of that company held by the Covenantors in aggregate and/or their respective close associates in aggregate.

### **New business opportunity**

If any Covenantor and/or any Controlled Persons and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the "**New Business Opportunity**"):

- (a) he/she/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) he/she/it shall not, and shall procure that his/her/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/its Controlled Person(s) or Controlled Company(ies) invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (a) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "**Non-acceptance Notice**"); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity. Only independent non-executive Directors who have no interest in the relevant New Business Opportunity (the "**Independent Board**") may attend and vote at, and may be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDER

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The Independent Board will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business. The factors that will be taken into consideration by the Independent Board in making the decision include whether it is in line with the overall interests of our Shareholders.

Under the Deed of Non-Competition, each of the Covenantors further undertakes to and covenants with our Company that during the period for which the Deed of Non-Competition is in force that he/she/it shall, amongst others:

- (a) provide all information whether or not requested by our Company which is necessary for an annual review by the independent non-executive Directors of the Covenantors' compliance with such undertakings and the enforcement of the Deed of Non-Competition;
- (b) make an annual declaration on his/her/its compliance with such undertakings under the Deed of Non-Competition in such form as the independent non-executive Directors think fit and/or as required under the GEM Listing Rules, such declaration shall set out his/her/its interest (if any) in such New Business Opportunity. Each Covenantor agrees and acknowledges that our Company will make disclosure in relation to such annual declaration in its annual reports and/or other documents or announcements published by our Company;
- (c) supply to our Company upon signing of the Deed of Non-Competition with full and accurate details of any business or interest (if any) which the relevant Covenantor and/or his/her/its close associates have or may have which competes or may compete with the business from time to time carried on by the Group and any other conflicts of interests (if any) which the relevant Covenantor has or may have with the Group and whether the relevant Covenantor and/or his/her/its close associates intend or do not intend to inject such business or interest into the Group;
- (d) at any time during which the Shares are listed on the Stock Exchange and for so long as the relevant Covenantor and/or his/her/its close associates are regarded, whether individually or taken together, as controlling shareholders of our Company within the meaning of the GEM Listing Rules, notify our Company forthwith of any changes of the details and information referred to in paragraph (c) above so as to enable our Company to, if so required by the Stock Exchange or pursuant to the GEM Listing Rules, disclose such information by way of an announcement and include such information in such circulars, annual reports, half-year reports and/or quarterly reports required to be issued by our Company pursuant to the GEM Listing Rules;

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## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDER**

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- (e) procure any Director from time to time nominated by the relevant Covenantor:
  - (i) to disclose to our Company upon signing of the Deed of Non-Competition and at any time during which the Shares of our Company are listed on the Stock Exchange full and accurate details of any business or interest (if any) which such Director and/or his close associates have or may have which competes or may compete with the business from time to time carried on by the Group and any other conflicts of interest (if any) which such Director has or may have with the Group;
  - (ii) to notify our Company forthwith of any changes of the details and information referred to in paragraph (e)(i) above, including any such business or interest acquired by such Director and/or his close associates after the Listing so as to enable our Company to, if so required by the Stock Exchange or pursuant to the GEM Listing Rules, disclose such information by way of an announcement and include such information in such circulars, annual reports, half-year reports and/or quarterly reports required to be issued by our Company pursuant to the GEM Listing Rules; and
- (f) acknowledges that and, if so required by our Company, procure such Director(s) referred to in paragraph (e) above to acknowledge that the information supplied to our Company pursuant to paragraphs (c), (d) and (e) above will or may be disclosed by our Company in this prospectus, circulars, reports, announcements and other statements to the Stock Exchange and/or any regulatory authorities and their respective officers and employees from time to time issued by our Company and that such disclosure is required by our Company in order to comply with the requirements of the Stock Exchange and/or other regulatory bodies.

### **CORPORATE GOVERNANCE MEASURES**

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of our Shareholders:

- (1) our independent non-executive Directors will review, on an annual basis, the Deed of Non-Competition and the Photo-Me Deed of Non-Competition to ensure compliance with the non-competition undertakings by our Controlling Shareholders and the Photo-Me Group (as the case may be);
- (2) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition and Photo-Me also undertakes to provide all reasonable assistance to our Company for such annual review purpose;

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**RELATIONSHIP WITH CONTROLLING SHAREHOLDERS  
AND SUBSTANTIAL SHAREHOLDER**

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- (3) our Company will disclose decision and its basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition and the Photo-Me Deed of Non-Competition in the annual reports of our Company or by way of announcement to the public;
- (4) our Controlling Shareholders have undertaken to provide an annual confirmation to our Company confirming that each of our Controlling Shareholders and his/its close associates have not breached the terms of the undertakings contained in the Deed of Non-Competition and Photo-Me also undertakes to provide all reasonable assistance to our Company for legal and regulatory compliance purpose; and
- (5) our Controlling Shareholders and Photo-Me will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests in relation to the Restricted Business and the New Business Opportunity (as respectively defined and referred to above under the relevant deed).



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## CONNECTED TRANSACTIONS

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### OVERVIEW

Prior to the Listing, we entered into certain transactions with parties who will, upon Listing, become our connected persons within the meaning given in Chapter 20 of the GEM Listing Rules. After the Listing, we will continue to carry out the following transactions with these parties and such transactions will constitute continuing connected transactions of our Company under Chapter 20 of the GEM Listing Rules.

Details of these transactions are set out in this section below.

### EXEMPT CONTINUING CONNECTED TRANSACTION

Upon the Listing, the transaction sets forth below will constitute exempt continuing connected transaction of our Company for the purpose of Chapter 20 of the GEM Listing Rules:

#### **Head Office Tenancy Agreement**

##### *Background of Big Star*

Big Star is principally engaged in the business of, amongst other things, property investment. As at the Latest Practicable Date, Big Star was owned as to 50% by Mr. Timmy Chan, a Director and Controlling Shareholder, and as to 50% by Ms. AY Ying Ho, the mother of Mr. Timmy Chan and a Controlling Shareholder and hence Big Star is an associate of a connected person of our Company under Rule 20.10(1)(c) of the GEM Listing Rules, hence a connected person of our Company under Rule 20.07(4) of the GEM Listing Rules.

##### *Background of Goodrise Limited*

Goodrise Limited is principally engaged in the business of, amongst other things, property investment. As at the Latest Practicable Date, Goodrise Limited was wholly-owned by Mr. Cheung, a Director, and his wife. Hence, Goodrise Limited is an associate of a connected person of our Company under Rule 20.10(1)(c) of the GEM Listing Rules, hence a connected person of our Company under Rule 20.07(4) of the GEM Listing Rules.

##### *Nature of transaction*

On 6 July 2017, our Company, as tenant, entered into a tenancy agreement (the “**Head Office Tenancy Agreement**”) with Big Star and Goodrise Limited, as landlords, under which Big Star and Goodrise Limited agreed to lease the property at 14th Floor, McDonald’s Building, 48 Yee Wo Street, Causeway Bay, Hong Kong with a gross floor area of approximately 2,796 sq.ft., for a period commencing from the date of the agreement and expiring on 31 December 2019 to our Company for use as our office premise. Pursuant to the Head Office Tenancy Agreement, the monthly rental payable to Big Star and Goodrise Limited shall be in the sum of HK\$50,328 (exclusive of government rent, management fees and other utilities charges and other outgoings which are payable by our Group).

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## CONNECTED TRANSACTIONS

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The term of the Head Office Tenancy Agreement may be renewed as the parties thereto mutually agree, subject to compliance with the requirements under Chapter 20 of the GEM Listing Rules and all other applicable laws and regulations.

### *Reasons for and benefits for the transaction*

Since 1991, our Group has been leasing the abovementioned property for use as our office premise from Big Star and Goodrise Limited. As our office premise is well established and known to the business partners, we currently do not, and in a foreseeable future will not, have any plan to relocate to an alternative property, which we believe is in the interest of our Company and our Shareholders as a whole in terms of cost, time and operational stability.

Our Directors (including the independent non-executive Directors) consider that the terms of the Head Office Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

### *Historical transaction amounts*

For the two years ended 31 December 2016 and the eight months ended 31 August 2017, the aggregate rentals paid by our Group to Big Star and Goodrise Limited were approximately HK\$604,000, HK\$604,000 and HK\$403,000 respectively.

### *Pricing policy*

The annual rental payable under the Head Office Tenancy Agreement was determined after arms' length negotiations between the parties thereto with reference to the prevailing market rates in respect of the same or similar properties in the same locality.

### *Proposed annual caps*

Our Directors estimated that the aggregate annual rental payable by our Group to Big Star and Goodrise Limited under the Head Office Tenancy Agreement shall be HK\$604,000. Therefore, the proposed annual caps for the tenancy under the Head Office Tenancy Agreement, for the year ended 31 December 2017 is HK\$604,000 and for each of the years ending 31 December 2018 and 2019 are HK\$604,000 and HK\$604,000 respectively.

### *Basis of annual caps*

The proposed annual caps set out above for the year ended 31 December 2017 and for the two years ending 31 December 2018 and 2019 in respect of the property to be leased from Big Star and Goodrise Limited are determined with reference to: (i) the historical transaction amounts between our Group as tenant and Big Star and Goodrise Limited as landlords taking into account the pricing policy referred to above; and (ii) the prevailing market rates of the same or similar properties in the same locality.

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## CONNECTED TRANSACTIONS

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### *GEM Listing Rules implications*

Since each of the applicable percentage ratios (other than the profits ratio) as defined in Rule 19.07 of the GEM Listing Rules with reference to the annual caps of the transaction under the Head Office Tenancy Agreement is more than 0.1% but less than 5% and the aggregate annual consideration is less than HK\$3.0 million, the transaction under the Head Office Tenancy Agreement is considered to be de minimis transaction under the GEM Listing Rules and will be fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### Master Supply Agreement

##### *Background of the Photo-Me Group*

Photo-Me is a Substantial Shareholder of the Company which will immediately following the completion of the Capitalisation Issue and the Share Offer control 13.75% of the voting rights in our Company (excluding the Shares which may be issued upon exercise of the Offer Size Adjustment Option and without taking into account any Shares which may be allotted and issued upon any exercise of the options which may be granted under the Share Option Scheme), and hence a connected person of our Company under Rule 20.07(1) of the GEM Listing Rules. For details of Photo-Me, please refer to the paragraphs headed "Photo-Me, Our Substantial Shareholder" in the section headed "Relationship with Controlling Shareholders and Substantial Shareholder" in this prospectus. Nippon Auto-Photo Kabushiki Kaisha, KIS SAS and Photo-Me (Shanghai) Co. Ltd, being subsidiaries of Photo-Me, are each considered as an associate of a connected person under Rule 20.11(1) of the GEM Listing Rules, hence a connected person of our Company under Rule 20.07(4) of the GEM Listing Rules.

##### *Nature of transactions*

In respect of the transactions with the Photo-Me Group, our Group entered into the Master Supply Agreement with Photo-Me (for itself and on behalf of its affiliates) on 9 July 2017 (as amended and supplemented by a supplemental agreement dated 7 November 2017 and entered into between Photo-Me and our Company). Pursuant to the Master Supply Agreement, the Photo-Me Group has agreed to supply to our Group photo booths, as well as their respective consumables and spare parts (collectively called, the "Products"), effective from the date of the Master Supply Agreement to 31 December 2019, subject to early termination of the Master Supply Agreement. The supply of Products under the Master Supply Agreement is not on an exclusive basis. The reason for the parties not entering into a supply agreement on an exclusive basis was that during the negotiation process, Photo-Me and our Company agreed in principle that the agreement should be either mutually exclusive or mutually non-exclusive. As the Company plans to diversify its purchase from different suppliers and that as Photo-Me is a listed company in the United Kingdom, to the best knowledge of our Directors, it is rather unusual for them to enter into an exclusive supply agreement with its customer, Photo-Me and

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## CONNECTED TRANSACTIONS

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our Company agreed not to enter into the Master Supply Agreement on an exclusive basis. While we did not enter into the Master Supply Agreement on an exclusive basis, we have been the sole customer of the Photo-Me Group in its photo booth operation in Hong Kong for over two decades. Taken into account of (i) the long term business and shareholding relationships with Photo-Me Group, and (ii) Photo-Me Group entered into the Photo-Me Deed of Non-Competition and covenanted to us that it would not for a term of five years carry out the business of operation of photo booths in Hong Kong, Macau and Guangdong Province, we consider that it is commercially acceptable to agree that the supply of the Products under the Master Supply Agreement will be on a non-exclusive basis. During the continuance of the Master Supply Agreement, our Group may depend on our business needs, place purchase orders with the Photo-Me Group for the purchase of the Products. The Photo-Me Group shall also perform R&D, technical support, repair and maintenance services for the photo booths which we purchased from the Photo-Me Group. The Master Supply Agreement may be early terminated by any non-defaulting party to the agreement by serving a notice in writing to such effect to the defaulting party to the agreement if (i) the defaulting party commits any material breach or continued material breach of the terms of the agreement after warning and (if the breach is capable of remedy) fails to remedy such breach to the satisfaction of the non-defaulting party or (ii) the defaulting party goes into liquidation or becomes insolvent or suffers the presentation of a winding up petition or analogous proceedings brought against it. There is no automatic renewal clause in the Master Supply Agreement but pursuant to the Master Supply Agreement, prior to the expiry of term of the Master Supply Agreement, our Group and Photo-Me Group have an extension option whereby both parties may negotiate for renewal of the Master Supply Agreement for two more years, such renewal will be subject to the then applicable reporting, announcement and annual review requirements (and if necessary, the circular and independent shareholders' approval requirements) under Chapter 20 of the GEM Listing Rules. Before the entering of the Master Supply Agreement between our Group and Photo-Me Group, we did not enter any long term supply agreement with Photo-Me. We placed purchase orders with the Photo-Me Group for the supply of the Products when needed and we have never experienced any significant delay or cancellation with the Photo-Me Group during the Track Record Period. On the basis that (i) the long history that we have procured photo booths and photo booth consumables with Photo-Me Group since 1993 and the fact that we have not experienced any difficulty in such procurement so far, (ii) the mutual and complementary reliance between Photo-Me Group and our Group, and (iii) Photo-Me is our Substantial Shareholder where it will suffer loss in its investments in our Group if our Group experiences any shortage in supply of photo booths and photo booth consumables that will adversely affect our Group's results of operations, our Directors are of the view that the risk that Photo-Me Group may cease to supply photo booths to our Group is remote.

### *Reasons for and benefits for the transactions*

Our Group is satisfied with the Products provided by Photo-Me Group, in terms of product quality, technology advancement and delivery time, supported by the stable business relationships between the Photo-Me Group and our Group for more than 24 years starting from 1993, and the Photo-Me Group has provided us with a constant and timely supply of the Products during the Track Record Period. Furthermore, taking into account of the Photo-Me

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## CONNECTED TRANSACTIONS

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Group's experience and reputation in the global photo booths manufacturing industry, coupled with that Photo-Me is our Substantial Shareholder having established a long-term business relationship with us, we believe there is a better and more efficient communication with Photo-Me of our needs as compared to third parties and will provide us with business and operational convenience. In light of the above, our Directors are of the view that it will be in the interests of our Company and our Shareholders as a whole to continue such transactions with the Photo-Me Group contemplated under the Master Supply Agreement which can provide us with continuous steady supply of the quality Products at reasonable prices and enhance operational efficiency. As such, after the Listing, our Group will continue to engage the Photo-Me Group to supply the Products to our Group.

### *Historical transaction amounts*

During the Track Record Period, our Group has purchased the Products from the Photo-Me Group. In particular, our Group purchased nil, 16 and 10 photo booths from the Photo-Me Group during the Track Record Period. The table below sets out the historical aggregate annual transaction amounts of the Products with the Photo-Me Group for the Track Record Period:

	Historical transaction amounts for the year ended 31 December		Historical transaction amounts for the eight months ended 31 August
	2015	2016	2017
	(HK\$'000) (approx.)	(HK\$'000) (approx.)	(HK\$'000) (approx.)
Transaction amount of purchase of photo booths from Photo-Me Group	Nil	1,164	353
Transaction amount of purchase of spare parts from Photo-Me Group	43	25	17
Transaction amount of purchase of photo booths and spare parts from Photo-Me Group	43	1,189	370
Transaction amount of purchase of the photo booth consumables from Photo-Me Group	1,079	1,332	579
<b>Aggregate transaction amounts with Photo-Me Group</b>	<b>1,122</b>	<b>2,521</b>	<b>949</b>

During the Track Record Period, the Photo-Me Group also leased photo booths to our Group solely in Guangzhou, which have all been replaced with our self-owned photo booths as at the Latest Practicable Date. Our Group also paid the Photo-Me Group approximately HK\$0.2 million in 2015 for R&D services, which was a one-off non-recurring expense.

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## CONNECTED TRANSACTIONS

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### *Pricing policy*

The price of the Products provided to our Group under the Master Supply Agreement was determined on a case by case after arm's length negotiations between our Group and Photo-Me Group from time to time, with reference to the then prevailing market price of the Products with similar quality, technology and specifications offered in the market and the then terms shall in any event be no less favourable to our Group than that offered to any third party purchasers by Photo-Me Group in the ordinary and usual course of business.

### *Proposed annual caps*

The maximum aggregated annual caps for the transaction contemplated with Photo-Me Group (the “**Non-exempt Continuing Connected Transactions**”) payable by our Group, for the year ended 31 December 2017 and for each of the years ending 31 December 2018 and 2019 shall not exceed the following caps:

	<b>Proposed annual caps for the</b>		
	<b>year ended/ending 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Transaction amount of purchase of the photo booths and spare parts from Photo-Me Group (the “ <b>Photo Booths Caps</b> ”)	3,065	3,800	5,300
Transaction amount of purchase of the photo booth consumables from Photo-Me Group (the “ <b>Consumables Caps</b> ”)	603	1,000	1,400
<b>Maximum aggregate transaction amounts with Photo-Me Group</b>	<b>3,668</b>	<b>4,800</b>	<b>6,700</b>

### *Basis of annual caps*

The basis of the Photo Booth Caps for the year ended 31 December 2017 was calculated based on the transaction amount pursuant to the purchase orders placed in 2017 with the Photo-Me Group. The basis of the Photo Booths Caps for the years ending 31 December 2018 and 2019 was determined with reference to (i) the anticipated number of new photo booths to be operated in Guangdong Province and Hong Kong for the two years ending 31 December 2018 and 2019 in accordance with our business expansion plan set out in the paragraphs headed “Our Strategies” in the section headed “Business” in the prospectus; (ii) the expected maximum number of new photo booths to be procured from the Photo-Me Group of approximately 5 and 5 units in Hong Kong and approximately 47 and 68 units in Guangdong Province for the two years ending 31 December 2018 and 2019 respectively; and (iii) the

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## CONNECTED TRANSACTIONS

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historical pricing of photo booths based on approximately HK\$38,000 for photo booths without Validation Technology in Hong Kong and HK\$75,000 for photo booths with Validation Technology in Guangdong Province. The pricing of photo booths in Guangdong Province for the calculation of the Photo Booth Caps was generally higher than that in Hong Kong because (i) there was higher demand for Validation photo booths in Guangdong Province than in Hong Kong and the pricing of Validation Photo Booths is higher than that of photo booths without Validation Technology due to hardware and software differences, irrespective of supplier; and (ii) the value-added tax of 17% applicable in the Guangdong Province. The anticipated growth in the purchase of the photo booths for the two years ending 31 December 2018 and 2019 was mainly due to our business expansion plan particularly in Guangdong Province, in which we have entered into contracts and/or tendering to install new photo booths mainly in various railway stations in Guangdong Province and a contract with Prestige Technology to operate photo booths for PRC permits issuing authorities in Guangdong Province.

The basis of the Consumables Caps is determined with reference to (i) the historical pricing of the photo booth consumables; and (ii) the anticipated usage of the photo booth consumables as a result of the current level of usage for the existing photo booths in place and the anticipated increase in and the existing number of photo booths supplied for the Photo-Me Group and to be operated in Guangdong Province and Hong Kong for the two years ending 31 December 2019. The anticipated growth of the Consumables Caps by approximately 20.0% from 2018 to 2019 is in line with the estimated annual growth of the average number of new photo booths to be supplied from the Photo-Me Group and to be operated by us by approximately 22.5% for the same period.

The costs of purchase under the Master Supply Agreement are not unfavourable to our Company and in line with market practices. We will continue to keep ourselves abreast of the prevailing fee level in the market and the market conditions.

### ***GEM Listing Rules implications***

Given that the applicable percentage ratios for the Non-exempt Continuing Connected Transactions calculated with reference to Rule 19.07 of the GEM Listing Rules is expected to be more than 5% but less than 25% and the aggregate consideration is expected to be less than HK\$10 million, the Non-exempt Continuing Connected Transactions will be subject to the reporting, announcement and annual review requirements, but exempt from the circular and independent shareholders' approval requirement under the GEM Listing Rules.

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## **CONNECTED TRANSACTIONS**

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### **WAIVER FROM THE STOCK EXCHANGE**

Under the GEM Listing Rules, the Non-exempt Continuing Connected Transactions under the Master Supply Agreement will be subject to the reporting, announcement and annual review. Pursuant to Rule 20.103 of the GEM Listing Rules, we have applied to the Stock Exchange for and the Stock Exchange has granted a waiver to us with the announcement requirement relating to the Non-exempt Continuing Connected Transactions, subject to (i) each of the annual caps stated above is not exceeded; and (ii) apart from the abovementioned announcement requirement of which a waiver is sought, our Company will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules upon Listing.

### **CONFIRMATION FROM OUR DIRECTORS**

Our Directors (including our independent non-executive Directors) are of the view that all the Non-exempt Continuing Connected Transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole. The proposed aggregate annual caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Shareholders as a whole.

### **CONFIRMATION FROM OUR SOLE SPONSOR**

The Sole Sponsor has reviewed the relevant documents, information and historical figures provided by our Company and has participated in due diligence and discussion with our Company and its legal advisers. Based on the above, the Sole Sponsor is of the view that the Non-Exempt Continuing Connected Transactions (i) have been entered into in the ordinary and usual course of business of our Company, (ii) are based on normal commercial terms (as defined under Chapter 20 of the GEM Listing Rules), fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) the proposed aggregate annual caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.



## SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive as at the date of submission of application for Listing and immediately prior to and following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the following persons (other than a Director or chief executive of our Company) have interests or short positions in our Shares or underlying Shares which will fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is and/or will be are and/or will, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

### (A) INTEREST IN OUR COMPANY

Name of shareholders	Nature of interest	Immediately prior to the completion of the Share Offer and the Capitalisation Issue		Immediately following the completion of the Share Offer and the Capitalisation Issue	
		Number of shares <sup>(1)</sup>	Approximate percentage of shareholding	Number of shares <sup>(1)</sup>	Approximate percentage of shareholding
Causeway Treasure	Beneficial owner	712,668	71.27%	427,600,560 (L)	53.45%
Ms. AY Ying Ho	Interest in a controlled corporation <sup>(3)</sup>	712,668	71.27%	427,600,560 (L)	53.45%
Photo-Me	Beneficial owner	183,287	18.33%	109,972,500 (L)	13.75%

*Note:*

1. The letter “L” denotes the person’s long position in the Shares.
2. The disclosed interest represents the interest in our Company held by Causeway Treasure which is in turn approximately 47.25% owned by Mr. Jamson Chan, approximately 47.25% owned by Mr. Timmy Chan and approximately 5.5% owned by Ms. AY Ying Ho, which in turn is interested in approximately 53.45% of the total issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). By virtue of the SFO, Mr. Jamson Chan and Mr. Timmy Chan are deemed to be interested in the Shares held by Causeway Treasure.
3. On 7 July 2017, Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan executed the Deed of AIC 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 of our Company) upon the Listing to consolidate their control over our Group until and unless the Deed of AIC Confirmation is terminated in writing. By virtue of the SFO, Mr. AY Ying Ho is deemed to be interested in the Shares held by Causeway Treasure.

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## SUBSTANTIAL SHAREHOLDERS

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Save as disclosed above, our Directors or chief executive are not aware of any person (other than a Director or chief executive of our Company) who are and/or will, immediately following the completion of the Share Offer and Capitalisation Issue (assuming no Shares are to be issued pursuant to the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which will fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is and/or will be, directly or indirectly, interested in 10% or more of issued voting shares of any other member of our Group. As at the Latest Practicable Date, our Directors were not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## SHARE CAPITAL

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### SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme) and the Capitalisation Issue:

	<b>Nominal value</b> <i>HK\$</i>
<i>Authorised share capital:</i>	
5,000,000,000 Shares of HK\$0.01 each	50,000,000
<i>Shares issued or to be issued, fully paid or credited as fully paid:</i>	
1,000,000 Shares in issue as at the date of this prospectus	10,000
599,000,000 Shares to be issued pursuant to the Capitalisation Issue	5,990,000
<u>200,000,000</u> Shares to be issued under the Share Offer	<u>2,000,000</u>
<u>800,000,000</u> <b>Total</b>	<u>8,000,000</u>

### ASSUMPTIONS

According to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of our Shares in the hands of the public.

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made as described in this prospectus. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme or any Shares which may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buy back Shares as described below.

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## SHARE CAPITAL

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### **RANKING**

The Offer Shares and the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme will be ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme. A summary of these principal terms is set out in the section headed “Appendix V – Statutory and General Information – D. Share Option Scheme” in this prospectus.

### **GENERAL MANDATE TO ISSUE SHARES**

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to allot and issue Shares, particulars of which are set out in the section headed “Appendix V – Statutory and General Information – A. Further Information about Our Group – 3. Written resolutions of our Shareholders passed on 8 February 2018” in this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to repurchase Shares, particulars of which are set out in the section headed “Appendix V – A. Further Information about Our Group – 3. Written resolutions of our Shareholders passed on 8 February 2018” and “– 6. Repurchase of our own securities” in this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED**

Our Company has only one class of shares, namely ordinary shares, each of which ranks equally with the other shares. Pursuant to the Cayman Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of our Shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution. Please refer to the section headed “Appendix IV – Summary of the Constitution of our Company and Companies Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital” for details.

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## SHARE CAPITAL

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Pursuant to the Cayman Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourth in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. Please refer to the section headed “Appendix IV – Summary of the Constitution of our Company and Companies Law – 2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” for details.

Apart from the above, our Company will also hold general meetings from time to time as may be required under the Articles of Association. Please refer to the section headed “Appendix IV – Summary of the Constitution of our Company and Companies Law” for a summary of the Articles of Association.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our audited consolidated financial information as at and for the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, including the notes thereto, as set out in “Appendix I – Accountants’ Report” to this prospectus. The consolidated financial information has been prepared in accordance with HKFRS. You should read the whole of the Accountants’ Report included as Appendix I to this prospectus and not rely merely on the information contained in this section.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements. Factors that might cause future results to differ significantly from those anticipated in the forward-looking statements include those discussed in the section headed “Risk Factors” in this prospectus.*

### OVERVIEW

We are a leading automatic ID photo booth operator in Hong Kong and we operate an iconic brand “Max Sight Photo 名仕快相” and “名仕富美” for ID photo booths in Hong Kong and Guangdong Province, respectively. Over our 27 years of operating history, we believe our brand has become synonymous with ID photo booths.

Our target customers are consumers of the general public and our customer base in Hong Kong and the Guangdong Province is large and diverse. Our ID photo booths are strategically located in prime locations of high footfall and/or where there may be ambient demand for digital ID photos which include ID Documentations Issuing Authorities, Railway and Airport, various universities, hospitals and shopping malls in Hong Kong and Guangdong Province. Due to the nature of our business, we do not rely on any single customer during the Track Record Period.

As at the Latest Practicable Date, we owned an aggregate of 214 automatic ID photo booths, of which 83 photo booths were installed and operated in Hong Kong and were strategically located in the application centres of the PRC permits issuing authorities and other various ID Documentations Issuing Authorities, over one-third of all metro stations, the Airport, as well as various universities and foreign embassies. We also operated 131 photo booths in Guangdong Province which spread across over one-third of all Guangzhou metro stations, various metro stations in Foshan and Dongguan, the application centres of PRC permits issuing authorities and the driving licence issuing authority as at the Latest Practicable Date.

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## FINANCIAL INFORMATION

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We generate revenue from sale of photos through photo booths in different locations in Hong Kong and PRC. For each of the two years ended 31 December 2016, we generated revenue of approximately HK\$49.8 million and HK\$47.5 million, respectively, while our profit attributable to owners of the Company for each respective year remained stable at approximately HK\$6.0 million. Nevertheless, our gross profit margin slightly increased from approximately 42.1% for the year ended 31 December 2015 to approximately 43.9% for the year ended 31 December 2016.

For the eight months ended 31 August 2016 and 31 August 2017, we generated revenue of approximately HK\$32.8 million and HK\$31.8 million, respectively while our profit/(loss) attributable to owners of the Company for each respective period was approximately HK\$4.3 million and HK\$(4.6) million. Excluding the non-recurring listing expenses of approximately HK\$9.8 million incurred for the eight months ended 31 August 2017, our profit attributable to owners of the Company amounted to approximately HK\$5.1 million.

### **BASIS OF PRESENTATION**

Our Company was incorporated in the Cayman Islands on 26 January 2017 as an exempted company with limited liability under the Companies Law. In preparation for the Listing, our Group underwent the Reorganisation. Upon completion of the Reorganisation on 6 July 2017, we no longer share non-controlling interests in any of our subsidiaries. Accordingly, nil non-controlling interests was recorded by us as at 31 August 2017. Please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus for further details of the Reorganisation.

Prior to the completion of the Reorganisation, the companies now comprising the Group were jointly controlled by Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan as the single largest group of controlling shareholders on individual basis or through intermediate holding companies. Each of Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan has reiterated and recorded their agreement in writing that, in respect of the arrival and/or execution of all decisions, including but not limited to financial, management and operational matters of the Group’s subsidiaries, they have always been acting in concert. Please refer to the section headed “Relationship with Controlling Shareholders and Substantial Shareholder – Our Controlling Shareholders and Substantial Shareholder – Acting in concert arrangements” in this prospectus for further details of the Deed of AIC Confirmation.

The financial information has been prepared by our Directors based on accounting policies which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, on the basis of presentation as set out in note 1 of the Accountants’ Report contained in Appendix I to this prospectus.

Our consolidated statements of profit or loss and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period included the results, changes in equity and cash flows of the companies now comprising our Group following the consummation of the Reorganisation, as if our Group had been in existence in its current form throughout the Track Record Period.

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## FINANCIAL INFORMATION

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The consolidated statements of financial position of our Group as of 31 December 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group at such respective dates, as if the current group structure had been in existence as of those dates.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

#### **Ability to secure prime locations and maintain respective license fees**

Since the establishment of our Group in 1989, we have operated photo booths in Hong Kong and expanded our business coverage to Guangdong Province in 2005. Our photo booths were located in various locations sited in various offices of ID Documentations Issuing Authorities, public transportation venues and shopping malls. The amount of revenue generated by our photo booth depends on its accessibility and its level of customer traffic. Hence, location of our photo booth has affected, and will continue to affect, our business and results of operation. Facing indirect competitions from other kiosks including Automated Teller Machines, soft drinks vending machine and public payphones, we are committed to maintain our existing coverage and identify new prime locations that are easily accessible by our customers.

Our license fees for the premises were charged in either fixed amounts or variable amounts, the latter of which were charged based on certain fixed percentages of the monthly turnover, within a range acceptable by us. During the Track Record Period, our license fees for photo booths' operation were approximately HK\$23.3 million, HK\$21.4 million and HK\$14.1 million, representing approximately 80.8%, 80.5% and 80.3% of cost of sales, respectively for the same periods. Hence, our profitability and operating margins are dependent upon, among other things, our ability to secure prime locations with respective level of license fees. For details of the licence period granted by the lessors under the relevant agreements, please refer to "Appendix V – Statutory and General Information – B. Further Information About Our Business – 3. Licensed sites" in this prospectus. Our Directors are of the view that the potential financial impact of any termination of agreements with the lessors on the results of our Group would be minimal on the bases that (i) among our photo booths in Hong Kong and Guangdong Province as at 31 August 2017 the majority of such photo booths are located at licensed sites with fixed term agreements which will only expire in 2019 or thereafter; (ii) for agreements that will expire in 2018, our Group has maintained a proven track record for contract renewal of previous lease periods with the relevant lessors and our Directors are confident that our Group will be able to renew such agreements prior to the expiry date; and (iii) for agreements and licensing arrangements without a fixed term, since the revenue generated thereunder only accounted for approximately 5.3%, 6.0% and 5.8% during the Track Record Period, our Directors are of the view that the termination of such agreements will not cause significant financial impact of our Group. Please refer to the section "Risk Factors – Risks Relating to Our Business and Operations – If any agreement for the right to use the lessors' premises for



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## FINANCIAL INFORMATION

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operating our ID photo booths is terminated or not renewed, our results of operations and business may be adversely affected”. We however cannot completely avoid market risk of increment in license fees which in turn is subject to various factors beyond our control, such as availability of space and changes in economic conditions. If we are unable to transfer the increase in license fees to our customers, our profitability and results of operations could be adversely affected.

### **Demand for the ID photos**

Our business and results of operation mostly consist of revenue from sale of ID photos to general public by our photo booths located in different locations, which is highly dependent on the demand of ID photos. As mentioned above, through our strategic selection of location, our ID photo booths are located in areas of high footfall and/or where there may be ambient demand for ID photos. Depending on the functionalities of our photo booths, we endeavoured to meet the demand of our customers by providing ID photos for ID documentations such as passports, ID cards and driving licenses. For details regarding our applicability of our ID photos to ID documentations and jurisdiction, please refer to the section “Business – Our Products”.

### **Government policies in the administrative procedures on ID photos**

With most of the customers using ID photos for processing their application of government related documentations, our business operation is susceptible to the changes of government policy. If we experience any conditions due to sudden/abrupt changes in the administrative procedures of government policies beyond our control, such as introducing new documentations, renewing or mandatory replacing existing documentations, or changing requirements of validation standard in ID photos, it is likely that the demand of ID photos and our overall business and results of operations would be affected. On the other hand, in extreme case, if there is any policy change that the documentation issuing authorities take the ID photos by themselves, the ID photo service industry, including traditional photo studios and automatic ID photo service providers, would inevitably suffer.

### **Advancement of technology in photo machines**

With the introduction of Validation Technology and rising security standards of ID photos, we have to ensure that our photo booths are equipped with the latest technology. From time to time, we have devoted substantial effort to ensure our Validation Technology satisfy the Specification Requirements. For details regarding the Validation Technology involved in our photos, please refer to the section “Business – Operation Flow of Our Photo Booths”. Therefore, by replacing older model photo booths with more advanced photo booths with attractive pricing, we believe that advanced photo booths would allow us to compete with other industry peers and generally generate more revenue.

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## FINANCIAL INFORMATION

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on allowance for bad and doubtful debts and allowances for inventories, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set out below. See Notes 3 and 4 of the Accountants' Report set out in Appendix I to this prospectus for details.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied: (i) our Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to our Group; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

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## FINANCIAL INFORMATION

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An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### ***Our Group as lessee***

Assets held under finance leases are recognised as assets of our Group at their value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with our Group's general policy on costs (see the accounting policy as set out on note 3 of the Accountant's Report on Appendix I). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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## FINANCIAL INFORMATION

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### RESULTS OF OPERATIONS

The following table summarises the selected items in our consolidated statements of comprehensive income for the Track Record Period, extracted from the Accountants' Report in Appendix I to this prospectus.

	<b>Year ended</b>		<b>Eight months ended</b>	
	<b>31 December</b>		<b>31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
Revenue	49,753	47,453	32,799	31,795
Cost of sales	<u>(28,784)</u>	<u>(26,643)</u>	<u>(18,420)</u>	<u>(17,586)</u>
Gross profit	20,969	20,810	14,379	14,209
Other income	5	7	4	5
Other gains and losses, net	171	(141)	(80)	54
Administrative expenses	(9,471)	(9,585)	(6,321)	(6,010)
Finance costs	(16)	(15)	(11)	(7)
Listing expenses	<u>–</u>	<u>–</u>	<u>–</u>	<u>(9,755)</u>
Profit (loss) before taxation	11,658	11,076	7,971	(1,504)
Income tax expense	<u>(2,020)</u>	<u>(2,076)</u>	<u>(1,457)</u>	<u>(1,486)</u>
Profit (loss) for the year/period	<u><u>9,638</u></u>	<u><u>9,000</u></u>	<u><u>6,514</u></u>	<u><u>(2,990)</u></u>
Profit (loss) for the year/period attributable to:				
– Owners of the Company	5,969	5,976	4,305	(4,643)
– Non-controlling interests	<u>3,669</u>	<u>3,024</u>	<u>2,209</u>	<u>1,653</u>
	<u><u>9,638</u></u>	<u><u>9,000</u></u>	<u><u>6,514</u></u>	<u><u>(2,990)</u></u>

## FINANCIAL INFORMATION

### DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

We generate our revenue from sales of photos to general public by operating our photo booths strategically sited in various offices of ID documentation issuing authorities, railway stations and shopping malls. We determined the price of photos at different locations which depends primarily on, among other things, type of photo booths and functions and location of photo booths.

The following table sets forth the breakdown of our revenue and the number of transactions by different categories of the lessors for the periods indicated:

	Year ended 31 December						Eight months ended 31 August					
	2015			2016			2016			2017		
	Revenue HK\$'000	% of revenue	Number of transactions '000 (approx.)	Revenue HK\$'000	% of revenue	Number of transactions '000 (approx.)	Revenue HK\$'000	% of revenue	Number of transactions '000 (approx.)	Revenue HK\$'000	% of revenue	Number of transactions '000 (approx.)
Hong Kong												
- PRC permit issuing authority in Hong Kong <sup>(Note 1)</sup>	23,220	46.7	589.5	20,010	42.2	400.2	14,156	43.2	283.1	11,991	37.7	239.8
- Other ID Documentations												
Issuing Authorities	14,826	29.8	305.3	15,130	31.9	303.0	10,464	31.9	209.3	10,494	33.0	210.8
Railway and Airport	5,763	11.6	137.0	6,306	13.3	148.7	4,049	12.3	97.4	5,252	16.5	118.8
Others <sup>(Note 2)</sup>	290	0.6	9.6	279	0.6	9.2	196	0.6	6.4	194	0.6	6.4
Sub-total	44,099	88.6	1,041.4	41,725	87.9	861.1	28,865	88.0	596.2	27,931	87.8	575.8
Guangdong Province												
- ID Documentations												
Issuing Authorities	2,027	4.1	58.8	2,332	4.9	76.6	1,570	4.8	50.3	1,697	5.4	58.4
Railway	3,420	6.9	109.4	3,328	7.0	106.9	2,307	7.0	72.1	2,128	6.7	70.2
Others <sup>(Note 3)</sup>	207	0.4	7.4	68	0.1	3.1	57	0.2	2.4	39	0.1	1.9
Sub-total	5,654	11.4	175.6	5,728	12.1	186.6	3,934	12.0	124.8	3,864	12.2	130.5
Total	49,753	100.0	1,217.0	47,453	100.0	1,047.8	32,799	100.0	721.0	31,795	100.0	706.3

#### Notes:

- All of our photo booths situated at PRC permit issuing authority in Hong Kong are HK Validation Photo Booths.
- Others mainly include universities and shopping malls in Hong Kong.
- Others mainly include hospitals and a shopping mall in Guangzhou.

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Our revenue generated from different locations of photo booths we operated in various locations sited in ID Documentations Issuing Authorities, Railway and Airport and shopping malls in Hong Kong and Guangdong Province during the Track Record Period. During the Track Record Period, our major revenue contribution from photo booths located in ID Documentations Issuing Authorities accounted for approximately 80.5%, 79.0% and 76.1%, respectively, of our total revenue, among which the revenue contribution by the PRC permits issuing authority in Hong Kong accounted for approximately 46.7%, 42.2% and 37.7% of our total revenue during the Track Record Period and the revenue generated by the government related ID Documentations Issuing Authority in Hong Kong accounted for approximately 24.9%, 26.3% and 27.7% of our total revenue during the same period. We expanded our revenue contribution from photo booths located in Railway and Airport in Hong Kong which accounted for approximately 11.6%, 13.3% and 16.5%, respectively, of our total revenue during the Track Record Period.

The total number of transactions generated from our photo booths were 1.22 million, 1.05 million and 0.71 million during the Track Record Period. During the Track Record Period, we generated most of our revenue from photo booths located in Hong Kong, which amounted to approximately HK\$44.1 million, HK\$41.7 million and HK\$27.9 million, representing approximately 88.6%, 87.9% and 87.8% of our total revenue, respectively, whereas transactions generated from photo booths located in Hong Kong amounted to approximately 1.0 million, 0.9 million and 0.6 million, representing approximately 85.6%, 82.2% and 81.5% of our total transactions, respectively. The number of transactions generated from photo booths located in ID Documentations Issuing Authorities in Hong Kong accounted for approximately 73.5%, 67.1% and 63.8% of our total transactions, respectively, during the Track Record Period. In particular, the number of transactions attributable to the PRC permits issuing authority in Hong Kong accounted for approximately 48.4%, 38.1% and 34.0% of our total transactions during the Track Record Period and the government related ID Documentations Issuing Authority in Hong Kong accounted for approximately 21.0%, 23.9% and 24.9% of our total transactions during the same period. The number of photo booths in Hong Kong was 71, 80 and 82 as at 31 December 2015, 2016 and 31 August 2017, respectively.

The decrease in our revenue contribution from Hong Kong was consistent with the decreasing trend of the overall number of transactions generated from our photo booths located in Hong Kong, and was mainly contributed by a decrease in the number of transactions generated from photo booths located in the PRC permits issuing authority in Hong Kong. Such decrease was mainly caused by the policy change effective from 2 January 2013 by the PRC government, which extended the validity period of the new Home Visit Permit for applicants under 18 from the original three years to five years thereafter. As a result, the permit renewal for permits issued in 2013 and 2014 was delayed from 2016 and 2017 to 2018 onwards, which negatively affected the number of transactions and the revenue contributed by the PRC permit issuing authority in Hong Kong during the Track Record Period. As such, our Directors are of the view that the demand for the permit renewal is expected to increase starting from 2018 and demand for PRC Permit Photos will gradually recover. During the year ended 31 December 2016, the decrease in number of transactions generated from photo booths located in the PRC permits issuing authority in Hong Kong of approximately 0.19 million was partially offset by

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the increase in number of transactions generated from photo booths located in Railway and Airport of approximately 0.01 million, resulting in a net decrease in revenue contribution from Hong Kong, which decreased by approximately HK\$2.4 million or approximately 5.4% to approximately HK\$41.7 million as at 31 December 2016.

For the eight months ended 31 August 2017, the decrease in number of transactions generated from photo booths located in the PRC permits issuing authority in Hong Kong of approximately 0.04 million was partially offset by the increase in number of transactions generated from photo booths located in Railway and Airport of 0.02 million, resulting in a net decrease in revenue contribution from Hong Kong, which decreased by approximately HK\$0.9 million or approximately 3.2% to approximately HK\$27.9 million as at 31 August 2017.

Our revenue contributed by own photo booths located in Guangdong Province amounted to approximately HK\$5.7 million, HK\$5.7 million and HK\$3.9 million, representing approximately for approximately 11.4%, 12.1% and 12.2% of our revenue for the Track Record Period, respectively, whereas transactions generated from photo booths located in Guangdong Province amounted to 0.18 million, 0.19 million and 0.13 million, representing approximately 14.4%, 17.8% and 18.5% of our total transactions, respectively. The number of transactions generated from photo booths located in Railway in Guangdong Province accounted for approximately 9.0%, 10.2% and 9.9% of our total transactions, respectively during the Track Record Period. The number of photo booths in Guangdong Province maintained at a steady level of 66 as at 31 December 2015 and 2016 and increased to 94 as at 31 August 2017.

During the year ended 31 December 2016, the increase in number of transactions generated by photo booths located in ID Documentations Issuing Authorities in Guangdong Province of approximately 0.02 million was partially offset by the decrease in number of transactions generated by photo booths located in Railway and others of approximately 0.01 million, resulting in a net increase in revenue contribution from Guangdong Province, which increased by approximately HK\$0.07 million or approximately 1.3% to approximately HK\$5.7 million as at 31 December 2016.

For the eight months ended 31 August 2017, the increase in number of transactions generated by photo booths located in ID Documentations Issuing Authorities in Guangdong Province of approximately 8,100 was partially offset by the decrease in number of transactions generated by photo booths located in Railway and others of approximately 2,400, resulting in a net decrease in revenue contribution from Guangdong Province and a decrease by approximately HK\$0.07 million or approximately 1.8% to approximately HK\$3.9 million as at 31 August 2017.

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### Cost of sales

Our cost of sales primarily consisted of (i) license fees paid to lessors for the operational sites of our photo booths; (ii) staff costs in relation to ID photo booth attendants; (iii) photo booth consumables; (iv) depreciations and others. The table below sets forth the breakdown of our costs of sales by nature for the periods indicated:

	Year ended 31 December				Eight months ended 31 August			
	2015		2016		2016		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
	HK\$'000		HK\$'000		HK\$'000		HK\$'000	
	(unaudited)							
License fees								
• Hong Kong	21,467	74.6	19,487	73.1	13,459	73.1	12,671	72.1
• PRC	1,787	6.2	1,960	7.4	1,396	7.5	1,452	8.2
Subtotal	23,254	80.8	21,447	80.5	14,855	80.6	14,123	80.3
Staff cost	2,642	9.2	2,582	9.7	1,725	9.4	1,776	10.1
Photo booth consumables	1,218	4.2	1,092	4.1	806	4.4	774	4.4
Depreciation	833	2.9	790	3.0	531	2.9	560	3.2
Others <sup>(Note)</sup>	837	2.9	732	2.7	503	2.7	353	2.0
	<u>28,784</u>	<u>100.0</u>	<u>26,643</u>	<u>100.0</u>	<u>18,420</u>	<u>100.0</u>	<u>17,586</u>	<u>100.0</u>

Note: Others included photo booths leasing fee paid to and spare parts purchased from a subsidiary of Photo-Me Group.

Our costs of sales was mainly contributed by license fees paid/payable for premises of our photo booths, which accounted for approximately 80.8%, 80.5% and 80.3% of our total cost of sales respectively, for the Track Record Period.

### Gross profit and gross profit margin

	Year ended 31 December				Eight months ended 31 August			
	2015		2016		2016		2017	
	Gross Profit	Gross profit Margin	Gross Profit	Gross profit Margin	Gross Profit	Gross profit Margin	Gross Profit	Gross profit Margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Hong Kong	18,768	42.6	18,287	43.8	12,654	43.8	12,495	44.7
Guangdong Province	2,201	38.9	2,523	44.0	1,725	43.8	1,714	44.4
Total	<u>20,969</u>	<u>42.1</u>	<u>20,810</u>	<u>43.9</u>	<u>14,379</u>	<u>43.8</u>	<u>14,209</u>	<u>44.7</u>

Our gross profit amounted to approximately HK\$21.0 million, HK\$20.8 million and HK\$14.2 million for the Track Record Period respectively, representing gross profit margin of approximately 42.1%, 43.9% and 44.7% respectively, for the same period. During the Track Record Period, the gross profit of our Group is mainly contributed by the photo booths in Hong Kong. Our gross profit margin attributable to photo booths in Hong Kong and Guangdong Province were similar during the Track Record Period. Whilst our gross profit remained stable during the Track Record Period, the increases in our gross profit margin for the Track Record Period were mainly attributable to the decreases in license fees paid for our business operation in Hong Kong.



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### Other income

Other income mainly represented interest income from bank deposits amounted to approximately HK\$5,000, HK\$7,000 and HK\$5,000 for the Track Record Period, respectively.

### Other gains and losses, net

Other gains and losses, net mainly represented gain/loss on disposal of property, plant and equipment and exchange loss, which amounted to a net gain of approximately HK\$0.2 million, a net loss of approximately HK\$0.1 million and a net gain of approximately HK\$0.05 million for the Track Record Period, respectively.

### Administrative expenses

Our administrative expenses mainly comprises (i) staff costs to our administrative staff including Directors' remuneration, (ii) office rent, rates and utilities, (iii) travelling and entertainment, (iv) depreciation and others.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December		2016		Eight months ended 31 August		2017	
	2015	2016	2016	2017	2016	2017	2016	2017
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Staff costs <sup>(1)</sup>	6,099	64.4	6,156	64.2	3,868	61.2	3,699	61.5
Office rent, rates & utilities	1,234	13.0	1,242	13.0	810	12.8	756	12.6
Travelling and entertainment	1,196	12.6	1,009	10.5	625	9.9	671	11.2
Depreciation	304	3.2	298	3.1	201	3.2	209	3.5
Others <sup>(2)</sup>	638	6.8	880	9.2	817	12.9	675	11.2
	<u>9,471</u>	<u>100.0</u>	<u>9,585</u>	<u>100.0</u>	<u>6,321</u>	<u>100.0</u>	<u>6,010</u>	<u>100.0</u>

#### Notes:

- Staff costs amounted to approximately HK\$355,000 has been recognised as listing expenses for the eight months ended 31 August 2017.
- Others included auditor's remuneration, communication expenses, utilities expenses, office expenses, printing, postage and stationery expenses, R&D expense paid to a subsidiary of Photo-Me and other operating expenses.

Our administrative expenses amounted to approximately HK\$9.5 million, HK\$9.6 million and HK\$6.0 million for the Track Record Period, respectively, which accounted for approximately 19.0%, 20.2% and 18.9% of our total revenue, respectively.

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### **Listing expenses**

Listing expenses comprised professional and other expenses in relation to our Listing. Our listing expenses amounted to approximately HK\$9.8 million for the eight months ended 31 August 2017.

### **Finance costs**

Finance costs comprised interest charges on our finance lease obligation. Our finance costs amounted to approximately HK\$16,000, HK\$15,000 and HK\$7,000, respectively, for the Track Record Period.

### **Income tax expense**

Income tax expense represents income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

#### *(i) Hong Kong Profits tax*

We are subject to Hong Kong Profits Tax at a rate of 16.5% on the estimated assessable profits for the Track Record Period.

#### *(ii) PRC enterprise income tax (“EIT”)*

All our PRC subsidiaries incorporated in the PRC are subject to EIT at a standard enterprise income tax rate of 25%.

#### *(iii) PRC withholding tax (“WHT”)*

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

#### *(iv) Profits tax in the Cayman Islands and the BVI*

We are not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

For the Track Record Period, our income tax expense were approximately HK\$2.0 million, HK\$2.1 million and HK\$1.5 million, respectively, and our effective tax rate/(negative income tax rate) for the same period was approximately 17.3%, 18.7% and (98.8%),

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respectively. Our effective tax rate for 2015 and 2016 approximated our prevailing tax rates. We had a negative effective income tax of 98.8% for the eight months ended 31 August 2017. Excluding the non-recurring listing expenses of approximately HK\$9.8 million incurred for the eight months ended 31 August 2017 which was non-deductible for tax purpose, our effective tax rate would be approximately 18.0%, approximated to our prevailing tax rates.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

### REVIEW OF HISTORICAL RESULTS OF OPERATIONS

#### **Eight months ended 31 August 2017 compared to Eight months ended 31 August 2016**

##### *Revenue*

Our revenue decreased by approximately HK\$1.0 million or approximately 3.1% from HK\$32.8 million for the eight months ended 31 August 2016 to approximately HK\$31.8 million for the eight months ended 31 August 2017. Such decrease was mainly due to the decline in number of ID photos taken in the PRC permits issuing authority in Hong Kong.

##### *Cost of sales*

Our cost of sales decreased by approximately HK\$0.8 million or approximately 4.5% from approximately HK\$18.4 million for the eight months ended 31 August 2016 to approximately HK\$17.6 million for the eight months ended 31 August 2017. Such decrease was mainly due to a lower level of variable license fees as a result of the decline in revenue contribution from our business operation in Hong Kong.

##### *Gross profit and gross profit margin*

Our overall gross profit maintained at a relatively stable level of approximately HK\$14.4 million and HK\$14.2 million for each of the eight months ended 31 August 2016 and 2017, respectively. Our overall gross profit margin increased from approximately 43.8% for the eight months ended 31 August 2016 to approximately 44.7% for the eight months ended 31 August 2017 mainly due to the decrease in cost of sales aforementioned.

##### *Administrative expenses*

Administrative expenses maintained at a relatively steady level of approximately HK\$6.3 million for the eight months ended 31 August 2016 and approximately HK\$6.0 million for the eight months ended 31 August 2017.

##### *Finance costs*

Our finance costs slightly decreased by approximately HK\$4,000 from approximately HK\$11,000 for the eight months ended 31 August 2016 to HK\$7,000 for the eight months ended 31 August 2017.

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### *Income tax expense*

Our income tax expense remained relatively stable at approximately HK\$1.5 million for the eight months ended 31 August 2016 and 2017. Our effective tax rate decreased from approximately 18.3% for the eight months ended 31 August 2016 to negative effective tax rate of approximately 98.8% for the eight months ended 31 August 2017. Excluding the non-recurring listing expenses of approximately HK\$9.8 million incurred for the eight months ended 31 August 2017 which was non-deductible for tax purpose, our effective tax rate would be approximately 18.0%, approximated to our prevailing tax rates.

### *Profit/(loss) attributable to owners of our Company*

Our profit attributable to owners of our Company decreased by approximately HK\$8.9 million or 207.9% from approximately HK\$4.3 million for the eight months ended 31 August 2016 to loss of approximately HK\$4.6 million for the eight months ended 31 August 2017. Excluding the non-recurring listing expenses of approximately HK\$9.8 million incurred for the eight months ended 31 August 2017, our profit attributable to owners of our Company would increase by approximately HK\$0.8 million or approximately 18.7% to approximately HK\$5.1 million as compared to that for the eight months ended 31 August 2016. Excluding the non-recurring listing expenses of approximately HK\$9.8 million incurred for the eight months ended 31 August 2017, our net profit margin increased from approximately 13.1% for the eight months ended 31 August 2016 to approximately 16.1% for the eight months ended 31 August 2017.

### **Year ended 31 December 2016 compared to year ended 31 December 2015**

#### *Revenue*

Our revenue decreased by approximately HK\$2.3 million or approximately 4.6% from HK\$49.8 million for the year ended 31 December 2015 to approximately HK\$47.5 million for the year ended 31 December 2016. Such decrease was mainly due to the decline in number of ID photos taken in PRC permits issuing authority in Hong Kong.

#### *Cost of sales*

Our cost of sales decreased by approximately HK\$2.1 million or approximately 7.4% from approximately HK\$28.8 million for the year ended 31 December 2015 to approximately HK\$26.6 million for the year ended 31 December 2016. Such decrease was mainly contributed by a lower level of variable license fees as a result of the decline in revenue contribution from our business operation in Hong Kong.

#### *Gross profit and gross profit margin*

Our overall gross profit maintained at a relatively stable level of approximately HK\$21.0 million and HK\$20.8 million for the years ended 31 December 2015 and 31 December 2016, respectively. Our overall gross profit margin slightly increased from

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approximately 42.1% for the year ended 31 December 2015 to approximately 43.9% for the year ended 31 December 2016, mainly due to the decrease in cost of sales aforesaid.

### *Administrative expenses*

Administrative expenses maintained a relatively steady level of HK\$9.5 million for the year ended 31 December 2015 and HK\$9.6 million for the year ended 31 December 2016, respectively.

### *Finance costs*

Our finance costs slightly decreased by approximately HK\$1,000 from approximately HK\$16,000 for the year ended 31 December 2015 to HK\$15,000 for the year ended 31 December 2016.

### *Income tax expense*

Our income tax expense increased by approximately HK\$56,000 or approximately 2.8% from approximately HK\$2.0 million for the year ended 31 December 2015 to approximately HK\$2.1 million for the year ended 31 December 2016. The increase was mainly due to one-off tax reductions of approximately HK\$0.05 million incurred in 2015 but no such item was noted in 2016. Our effective tax rate were stable at approximately 17.3% and 18.7% for the year ended 31 December 2015 and year ended 31 December 2016, respectively.

### *Profit attributable to owners of our Company*

Our profit attributable to owners of our Company maintained at a steady level of HK\$6.0 million for the years ended 31 December 2015 and 2016. Our net profit margin increased from approximately 12.0% for the year ended 31 December 2015 to approximately 12.6% for the year ended 31 December 2016 which was mainly due to the improvement in our gross profit margin aforementioned.

## 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.

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. Our 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. Our Group manages liquidity risk by maintaining adequate financial resources, including existing cash and bank balances and operating cash flows.

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We currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Share Offer for implementing our future plans as detailed under the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus.

### Cash Flow

The following table sets forth a summary of our consolidated cash flows for the periods indicated:

	<b>Year ended</b>		<b>Eight months ended</b>	
	<b>31 December</b>		<b>31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Net cash generated				
from/(used in) operating				
activities	12,770	9,632	9,348	(2,148)
Net cash (used in)/generated				
from investing activities	(2,323)	1,665	1,316	(1,882)
Net cash used in financing				
activities	(7,780)	(4,222)	(4,148)	(7,024)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net increase/(decrease) in				
cash and cash equivalents	2,667	7,075	6,516	(11,054)
<b>Cash and cash equivalents</b>				
<b>  at beginning of</b>				
<b>  the year/period</b>	14,884	17,533	17,533	24,543
Effect of foreign currency				
rate changes	(18)	(65)	(19)	72
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash and cash equivalents</b>				
<b>  at end of the year/period</b>	<u>17,533</u>	<u>24,543</u>	<u>24,030</u>	<u>13,561</u>

We generated net cash inflow of approximately HK\$2.7 million and HK\$7.1 million for the each of the two years ended 31 December 2016 respectively and recorded net cash outflow of HK\$11.1 million for the eight months ended 31 August 2017.

### *Operating activities*

Net cash generated from or used in operating activities comprises profit before taxation adjusted for non-cash items, such as depreciation, and adjusted for the change in working capital. During our Track Record Period, our cash flow from operating activities was primarily reflected our profit before taxation. Our cash used in operating activities was principally for purchases of inventories and increase in trade receivables, other receivable, deposits and prepayments.

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For the eight months ended 31 August 2017, our net cash used in operating activities of approximately HK\$2.1 million was a consolidated result of negative operating cash flow before changes in working capital of approximately HK\$0.7 million, income tax paid of approximately HK\$0.4 million and change in working capital of approximately HK\$1.0 million. Change in working capital primarily reflected increases in deferred listing expenses.

For the year ended 31 December 2016, our net cash generated from operating activities of approximately HK\$9.6 million was a consolidated result of operating cash flow before changes in working capital of approximately HK\$12.2 million, income tax paid of approximately HK\$1.8 million and change in working capital of approximately HK\$0.8 million. Change in working capital primarily reflected increase in other receivables as a result of increase in prepayment of listing expenses and partially offset by increase in other payables due to license fee payables for premises in one of the government related ID Documentations Issuing Authorities in Hong Kong.

For the year ended 31 December 2015, our net cash generated from operating activities of approximately HK\$12.8 million was a consolidated result of operating cash flow before changes in working capital of approximately HK\$12.6 million, which was in line with our operations, income tax paid of approximately HK\$2.2 million and change in working capital of approximately HK\$2.3 million. Change in working capital primarily reflected increase in other payables and accrued charges of HK\$0.9 million and decrease in other receivables, deposits and prepayments of HK\$1.6 million.

### *Investing activities*

For the eight months ended 31 August 2017, our net cash used in investing activities of approximately HK\$1.9 million primarily reflected repayment from a director of approximately HK\$0.3 million, decrease in amount due from a related company of HK\$0.1 million, deposits paid for acquisition of property, plant and equipment of HK\$1.8 million and purchase of property, plant and equipment of approximately HK\$0.5 million.

For the year ended 31 December 2016, our net cash generated from investing activities of approximately HK\$1.7 million primarily reflected repayment from a director of approximately HK\$2.8 million and purchase of property, plant and equipment of approximately HK\$1.2 million.

For the year ended 31 December 2015, our net cash used in investing activities of HK\$2.3 million primarily reflected purchase of property, plant and equipment of approximately HK\$2.5 million and proceeds received from disposals of property, plant and equipment of HK\$0.2 million.

### *Financing activities*

For the eight months ended 31 August 2017, our net cash used in financing activities of approximately HK\$7.0 million primarily reflected payment of dividend of HK\$6.9 million.

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For the year ended 31 December 2016, our net cash used in financing activities of approximately HK\$4.2 million primarily reflected payment of dividend of HK\$4.0 million and proceeds used for repayment of finance lease obligations of approximately HK\$0.2 million.

For the year ended 31 December 2015, our net cash used in financing activities of approximately HK\$7.8 million primarily reflected payment of dividend of HK\$6.9 million and proceeds used for repayment to directors of HK\$0.6 million and repayment of finance lease obligations of approximately HK\$0.3 million.

### Net Current Assets

The table below sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As at 31 December		As at 31 August	As at 31 December
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
<b>Current Assets</b>				
Inventories	245	603	527	280
Trade receivables	957	684	701	702
Other receivables, deposits and prepayments	364	1,851	4,295	4,312
Tax recoverables	53	–	–	–
Amount due from a related company	128	129	–	–
Amount due from a director	3,649	271	–	–
Bank balances and cash	17,533	24,543	13,561	12,746
	<u>22,929</u>	<u>28,081</u>	<u>19,084</u>	<u>18,040</u>
<b>Current Liabilities</b>				
Trade payables	27	9	24	–
Other payables and accrued charges	2,786	3,121	4,674	5,490
Dividend payables	–	–	10,800	10,800
Amount due to a director	230	230	230	–
Obligation under finance lease	207	214	218	183
Tax payable	916	1,105	2,168	745
	<u>4,166</u>	<u>4,679</u>	<u>18,114</u>	<u>17,218</u>
<b>Net Current Assets</b>	<u><u>18,763</u></u>	<u><u>23,402</u></u>	<u><u>970</u></u>	<u><u>822</u></u>



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Our net current assets increased from approximately HK\$18.8 million as at 31 December 2015 to approximately HK\$23.4 million as at 31 December 2016 primarily due to the increase of bank balances and cash.

Our net current assets decreased to approximately HK\$1.0 million as at 31 August 2017 as compared to that as at 31 December 2016. The decrease was primarily due to the increase in accrued charges in relation to listing related expenses and dividend paid/payable during the period.

Our net current assets maintained relatively stable at approximately HK\$0.8 million as at 31 December 2017 as compared to that as at 31 August 2017.

### Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents, available facility and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Statement of Business Objectives and Use of Proceeds" to this prospectus.

### DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Inventories

Our inventories principally comprise photo booth consumables which mainly procured from a subsidiary of Photo-Me Group in Japan. The following table sets forth the breakdown of our inventories as of the dates indicated:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Photo booth consumables	<u>245</u>	<u>603</u>	<u>527</u>

Photo booth consumables have a shelf life of about one year upon delivery. During the Track Record Period, we usually stocked up inventories to meet sales for approximately three to six months. See the section headed 'Business – Inventory Management' of this prospectus

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## FINANCIAL INFORMATION

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for details of our inventory management policies. Allowance is made against when the net realisable value of inventories, which is based primarily of the latest market price estimated by the management, falls below the cost or any of the inventories are identified obsolete. During the Track Record Period, no provision for impairment of inventories was recorded. The following table sets forth the inventory turnover days for the periods indicated.

	Year ended		Eight months ended
	31 December 2015	2016	31 August 2017
Inventory turnover days <sup>(Note)</sup>	<u>76</u>	<u>142</u>	<u>177</u>

*Note:* Inventory turnover days is calculated using the average balance of inventory divided by cost of photo booth consumables for the relevant period and multiplied by 365 days for each of the two years ended 31 December 2016 and 243 days for the eight months ended 31 August 2017. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our inventory turnover days increased from approximately 76 days for the year ended 31 December 2015 to approximately 142 days for the year ended 31 December 2016. Such increase was mainly due to a higher level of photo booth consumables we purchased in anticipation of the depreciation of JPY during the year ended 31 December 2016. Our inventory turnover days further increase to 177 days for the eight months ended 31 August 2017 because we recently purchased consumables in June 2017 in anticipation of acquiring new photo booths in accordance with our business strategy.

As at 30 September 2017, 14.1% of our inventories as at 31 August 2017 had been utilised.

### Trade receivables

During the Track Record Period, our photo booths generally accepted payment by cash or through social media application. See the subsection headed “Business – Operation Flow of Our Photo Booths – Customers select photo category, make payment and take photo” of this prospectus for details of our payment method. Cash collected from our photo booths located in branches of certain ID Documentation Issuing Authority in Hong Kong would be remitted to us on a monthly basis. During the Track Record Period, credit terms of 0-20 days were generally granted to this lessor and credit limits is subject to our regular review.

Our trade receivables primarily relate to receivables from a lessor, certain ID Documentation Issuing Authority in Hong Kong. Our daily revenue from customers that are collected by our attendant would be passed to our lessor who holds on behalf of our Group and remits to us on monthly basis. Our trade receivables decreased slightly from approximately HK\$1.0 million as at 31 December 2015 to approximately HK\$0.7 million as at 31 December

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2016 and remained relatively stable at approximately HK\$0.7 million as at 31 August 2017. The fluctuation of the balance as at each of the dates indicated were due to difference in amount of monthly revenue which would be remitted by the lessor as of the year end/period end date.

The following table sets forth the ageing analysis (based on monthly statement issued to relevant ID Documentation Issuing Authority in Hong Kong) of our trade receivables which are past due but not impaired, as at the dates indicated:

	<b>As at 31 December</b>		<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 20 days	957	684	701

During the Track Record Period, we did not experience any material payment defaults and no provision has been made for any past due or impaired amount.

The table below sets forth our trade receivables turnover days as at the dates indicated:

	<b>Year ended 31 December</b>		<b>Eight months ended 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Trade receivables turnover days <sup>(Note)</sup>	14	15	14

*Note:* Trade receivables turnover days is calculated using the average balance of trade receivables divided by sale for the relevant period from the premises in that particular lessor and multiplied by 365 days for each of the two years ended 31 December 2016 and 243 days for the eight months ended 31 August 2017. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our turnover days kept at a relatively stable level and were approximately 14 days, 15 days and 14 days, respectively for the Track Record Period.

As at 30 September 2017, all of our trade receivables outstanding as at 31 August 2017 were settled.

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## FINANCIAL INFORMATION

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### Trade payables

The following table sets forth the components of our trade payables as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2017</b>
			<i>HK\$'000</i>
Trade payables	27	9	24

Our trade payables primarily consist of balances related to our suppliers for purchases of photo booth consumables from Photo-Me Group.

Credit periods is generally granted to us from 0 to 60 days. The table below sets forth, as of the end of reporting periods indicated, the ageing analysis of our trade payables (based on invoice date):

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2017</b>
			<i>HK\$'000</i>
0 – 30 days	27	9	24

The following table sets out our trade payables turnover days for the periods indicated:

	<b>Year ended 31 December</b>		<b>Eight</b>
	<b>2015</b>	<b>2016</b>	<b>months</b>
			<b>ended</b>
			<b>31 August</b>
			<b>2017</b>
Trade payables turnover days <sup>(Note)</sup>	19	6	5

*Note:* Trade payables turnover days is calculated using the average balance of trade payables divided by cost of photo booth consumables for the relevant period and multiplied by 365 days for each of the two years ended 31 December 2016 and 243 days for the eight months ended 31 August 2017. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

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Our trade payable turnover days decreased from 19 days for the year ended 31 December 2015 to 6 days for the year ended 31 December 2016 mainly due to purchase of photo booth consumables we made in September 2016 which was almost fully settled in accordance with the credit term around the year ended in 2016. Our trade payable turnover days maintained relatively stable at approximately 5 days for the eight months ended 31 August 2017.

As at 30 September 2017, all of our trade payables outstanding as at 31 August 2017 had been fully settled.

### **Other receivables**

Our other receivables mainly comprise (i) rental and utilities deposits paid to lessors for premise of our photo booths, (ii) prepayment for listing expenses or deferred listing expenses and (iii) deposits for the acquisition of property, plant and equipment. Rental and utilities deposits for premises under non-cancellable operating lease arrangements, whose end of rental period lies within one year from end of the financial year, would be classified under current assets.

Our other receivables, including rental and utilities deposits classified as non-current asset and current asset, increased from approximately HK\$1.6 million as at 31 December 2015 to approximately HK\$3.2 million as at 31 December 2016 and increased to approximately HK\$7.7 million as at 31 August 2017. Such increases were mainly due to the increase in prepayment for listing related expenses or deferred listing expenses and deposits for acquisition of property, plant and equipment.

### **Other payables**

Our other payables mainly comprise (i) accrued charges for operating expenses, (ii) accrued listing expenses, (iii) salaries and staff bonus payables, (iv) photo booths leasing fee payable, (v) photo validation fee payable to an independent third party for ensuring our Validation Technology meeting the Specification Requirements of documentation issuing authorities in Guangdong Province, (vi) other license fee payables and (vii) other tax payable.

Other payables kept at a steady level as at 31 December 2015 and 2016 and increased to HK\$4.7 million as at 31 August 2017. Such increase was mainly attributable to increase in accrued listing expenses which was partially offset by decrease in salaries payable and provision for bonus whose provision was prepared on a pro-rata basis.

### **Amount due from a related company**

Our amount due from a related company, Pinnacle Vision, amounted to approximately HK\$0.1 million, HK\$0.1 million and nil as at 31 December 2015 and 2016 and 31 August 2017, respectively. The amount due from a related company was unsecured, interest-free and repayable on demand. The said arrangement has already been terminated at the end of 2016. All the amounts due from a related company was settled as at 31 August 2017.

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### **Amount due from a director**

Our amount due from a director, Mr. CHAN Wing Chai Jamson amounted to approximately HK\$3.6 million, HK\$0.3 million and nil as at 31 December 2015 and 2016 and 31 August 2017, respectively. The amount due from a director was unsecured, interest-free and repayable on demand. All the amounts due from a director was settled as at 31 August 2017.

### **Amount due to a director**

Our amount due to a director represented payables to Mr. CHAN Tien Kay Timmy amounted to approximately HK\$0.2 million, HK\$0.2 million and HK\$0.2 million as at 31 December 2015, 2016 and 31 August 2017, respectively. The amount was unsecured, interest-free and repayable on demand. All the amount due to the director will be settled before Listing.

## **CAPITAL EXPENDITURE AND COMMITMENT**

### **Capital expenditure**

We have historically funded our capital expenditure by our internal resources. The total amount of our capital expenditure for the Track Record Period were approximately HK\$3.4 million, HK\$1.2 million and HK\$0.5 million, respectively, among which approximately HK\$2.5 million, HK\$1.2 million and HK\$0.4 million, respectively, were incurred for the addition of photo booths in Guangdong Province and the replacement of more advanced photo booths in Hong Kong.

We plan to incur additional capital expenditure from the Listing Date to 31 December 2020, mainly for expanding our operation network, upgrading our existing photo booths in Guangdong Province and Hong Kong, expanding our validation centre and upgrading our IT infrastructure. Such additional capital expenditure includes an estimated capital expenditure of approximately HK\$35.1 million for purchasing 391 photo booths in Hong Kong and Guangdong Province for the period from Listing Date to 31 December 2020, of which approximately HK\$34.4 million for purchasing 383 photo booths is planned to be financed by the net proceeds from the Share Offer and approximately HK\$0.7 million for purchasing 8 photo booths is planned to be financed by cash generated from our operations and/or bank borrowings. For more details, please refer to the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus.

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### Capital commitments

The following table sets forth our capital commitments for the periods indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2017</b>
			<i>HK\$'000</i>
Capital expenditure in respect of addition of property, plant and equipment:			
– contracted for but not provided in the consolidated financial statements	–	–	4,297
	<u>–</u>	<u>–</u>	<u>4,297</u>

### Operating lease commitments

As at the end of the reporting periods during the Track Record Period, we had commitments for future minimum lease payments in respect of certain premises for our photo booths and office under non-cancellable operating lease/licensing arrangements, which fall due as follows:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2017</b>
			<i>HK\$'000</i>
Within one year	7,379	3,791	9,027
In the second to fifth year, inclusive	4,766	4,516	8,404
	<u>12,145</u>	<u>8,307</u>	<u>17,431</u>

## INDEBTEDNESS

### Amount due to a director

As at 31 December 2015, 31 December 2016 and 31 August 2017, the amount due to our director was unsecured, interest-free and repayable on demand. For details of amount due to a director, please refer to paragraph headed “Description of Selected Items of Consolidated Statements of Financial Position – Amount due to a director” in this section.

As at 31 December 2017, we had no amount due to a director.

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## FINANCIAL INFORMATION

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### **Bank and other borrowings**

During the Track Record Period and as at 31 December 2015, 31 December 2016, 31 August 2017 and 31 December 2017, being the latest practicable date for the purpose of the indebtedness statements, we have no interest bearing bank borrowings.

As at the Latest Practicable Date, we had no unutilized banking facilities.

### **Obligation under finance lease**

Our obligations under finance lease amounted to approximately HK\$0.6 million, HK\$0.4 million, HK\$0.3 million and HK\$0.2 million as at 31 December 2015, 31 December 2016, 31 August 2017 and 31 December 2017 respectively comprised primarily of finance leases for the purchases of our certain motor vehicles used for our operation. The finance lease was free of guarantee but secured by the relevant motor vehicles. Our finance leases were denominated in Hong Kong dollars and the effective annual interest rate during the Track Record Period was approximately 3.08%.

### **Statement of indebtedness**

As at 31 December 2017, being the latest practicable date for the purpose of the indebtedness statement, save as aforesaid and apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

### **Contingent liabilities**

As at 31 December 2017, being the latest practicable date for the purpose of the indebtedness statement, save as disclosed in subsection headed “Indebtedness”, our Group did not have any significant contingent liabilities.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT**

As of the Latest Practicable Date, our Group has not entered into any material off-balance sheet commitments and arrangements.

### **RELATED PARTY TRANSACTIONS**

With respect to the related party transactions set forth in the Accountant’s Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.



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## FINANCIAL INFORMATION

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### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	Year ended 31 December		Eight months ended 31 August
	2015	2016	2017
Gross profit margin <sup>(1)</sup>	42.1%	43.9%	44.7%
Net profit/(loss) margin <sup>(2)</sup>	12.0%	12.6%	-14.6%
Return on equity <sup>(3)</sup>	47.8%	36.2%	-99.8%
Return on total assets <sup>(4)</sup>	35.4%	27.7%	-17.7%
Current ratio <sup>(5)</sup>	5.5 times	6.0 times	1.1 times
Quick ratio <sup>(6)</sup>	5.4 times	5.9 times	1.0 times
Gearing ratio <sup>(7)</sup>	N/A	N/A	N/A
Net debt to equity ratio <sup>(8)</sup>	N/A	N/A	N/A

*For illustrative purpose:*

Adjusted net profit margin (%) <sup>(9)</sup>	16.1%
Adjusted return on equity (%) <sup>(9 &amp; 10)</sup>	109.8%
Adjusted return on total assets (%) <sup>(9 &amp; 11)</sup>	40.1%

*Notes:*

1. Gross profit margin for each of the Track Record Period is calculated on gross profit divided by revenue for the respective period. Please refer to the paragraphs headed "Review of Historical Results of Operations" in this section for more details on our gross profit margins.
2. Net profit/(loss) margin for each of the Track Record Period is calculated on profit/(loss) attributable to the owners of the Company for the year/period divided by revenue for the respective period. Please refer to the paragraphs headed "Review of Historical Results of Operations" in this section for more details on our net profit margins.
3. Return on equity is calculated by dividing profit/(loss) for the year/period attributable to the owners of the Company (or the annualised profit, for the eight months ended 31 August 2017) by the equity attributable to owners of the Company as at the end of the respective year/period and multiplying the resulting value by 100%.
4. Return on assets is calculated by dividing profit/(loss) for the year/period (or the annualised profit, for the eight months ended 31 August 2017) by total assets as at the end of the respective year/period and multiplying the resulting value by 100%.
5. Current ratios is calculated as the total current assets as at the end of the respective year/period divided by the total current liabilities as at the end of the respective year/period.
6. Quick ratio is calculated as total current assets less inventories as at the end of the respective year/period and divided by total current liabilities as at the end of the respective year/period.
7. Gearing ratio is calculated as the total interest-bearing loans as at the end of the respective year/period, excluding finance lease obligation, divided by total equity as at the end of the respective year/period and multiplied by 100%.

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8. Net debt to equity ratios is calculated as net debt as at the end of the respective year/period divided by total equity as at the end of the respective year/period and multiplied by 100%. Net debt includes all interest-bearing loans (if any), net of cash and cash equivalent.
9. Adjusted profit is used in the calculation of certain ratios for the eight months ended 31 August 2017. It is calculated by excluding the non-recurring listing expenses of approximately HK\$9.8 million incurred for the eight months ended 31 August 2017 from loss attributable to owners of our Company for that period.
10. Adjusted return on equity equals annualised adjusted profit attributable to the owners of our Company for the period divided by the equity attributable to owners of the Company as at the end of the period.
11. Adjusted return on total assets equals annualised adjusted profit for the period divided by total assets as at the end of the period.

### **Return on equity**

Our return on equity decreased from approximately 47.8% for the year ended 31 December 2015 to approximately 36.2% for the year ended 31 December 2016, primarily due to the increase in equity base resulting from our profit attributable to owners of the Company that were partially offset by the dividend distribution for the same periods. Our return on equity further decreased to approximately -99.8% for the eight months ended 31 August 2017. Excluding the non-recurring listing expenses of approximately HK\$9.8 million incurred for the eight months ended 31 August 2017, our return on equity would be approximately 109.8% mainly attributable to decrease in our total equity as a result of dividend paid/payable during the period.

### **Return on total assets**

Our return on total assets decreased from approximately 35.4% for the years ended 31 December 2015 to approximately 27.7% for the year ended 31 December 2016 mainly attributable to increase in the total asset balance resulting from increase in bank balances and cash as at 31 December 2016. Our return in total asset further decreased to approximately -17.7% for the eight months ended 31 August 2017. Excluding the non-recurring listing expenses of approximately HK\$9.8 million incurred for the eight months ended 31 August 2017, our return on total assets would increase to approximately 40.1% mainly due to a lower level of bank balances and cash as compared to that for the year ended 31 December 2016.

### **Current ratio**

Our current ratio increased from approximately 5.5 as at 31 December 2015 to approximately 6.0 as at 31 December 2016 mainly due to the increase in bank balances and cash as at 31 December 2016. Our current ratio then decreased to approximately 1.1 as at 31 August 2017 and such decrease was mainly due to (i) distribution of dividend paid/payable during the period and (ii) the increase in accrued listing expenses.

### **Quick ratio**

Our quick ratio maintained at approximately 5.4, 5.9 and 1.0 as at 31 December 2015 and 2016 and 31 August 2017, respectively, which was generally in line with the fluctuation in current ratio for the same period.

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### **Gearing ratio and net debt to equity ratio**

During the Track Record Period, our Group did not have any interest-bearing borrowings as at each reporting date. Thus, gearing ratio and net debt to equity ratio were both not applicable to our Group.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed are set out in notes 29 and 30 to Accountants' Report, the text of which is set out in Appendix I to this prospectus.

### **DIVIDENDS**

For the years ended 31 December 2015 and 31 December 2016, dividends of approximately HK\$4.0 million and HK\$4.0 million were declared and paid to the Shareholders, respectively. For the eight months ended 31 August 2017, dividends of approximately HK\$17.7 million were declared and approximately HK\$6.9 million were paid to the Shareholders. Dividend of approximately HK\$10.8 million will be settled to the relevant Shareholders by our cash flow generated from operations before Listing. Save for disclosed above, we have no plan to pay or declare any dividends prior to the Listing. We do not intend to determine any expected dividend payout ratio after Listing since our priority is to use our earnings for business development and expansion of customer base in the interest of our Shareholders as a whole. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Group does not have any dividend policy. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 26 January 2017 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

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### LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. Assuming an Offer Price of HK\$0.325 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total listing expenses is estimated to be approximately HK\$25.7 million, of which approximately HK\$9.8 million had been charged to our consolidated statement of profit and loss and other comprehensive income for the eight months ended 31 August 2017 and an addition of approximately HK\$1.5 million and HK\$7.3 million are expected to be recognised in our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2017 and for the year ending 31 December 2018 respectively, and approximately HK\$7.1 million is expected to be capitalised as charged against equity upon the Share Offer under the relevant accounting standard. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

**Prospective investors should note that our financial results for the year ended 31 December 2017 will be adversely affected by the non-recurring listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

### LOSS ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017

On the bases set out in Appendix III to this prospectus, the Directors estimate that the unaudited consolidated loss attributable to owners of our Company is as follows:

Estimated consolidated loss attributable to owners of our Company ( <i>Note 1</i> )	Not more than HK\$4.0 million
Adjusted estimated consolidated profit attributable to owners of our Company (excluding non-recurring listing expenses) ( <i>Note 2</i> )	Not less than HK\$7.0 million

The following unaudited pro forma estimated loss per Share for the year ended 31 December 2017 has been prepared in accordance with Rule 7.31 of the GEM Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Share Offer, as if it had taken place on 1 January 2017. The unaudited pro forma estimated loss per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of our Group following the Share Offer.

Unaudited pro forma estimated loss per Share ( <i>Note 3</i> )	Not more than HK\$0.57 cents
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*Notes:*

- (1) The bases on which the above loss estimate for the year ended 31 December 2017 has been prepared are summarised in Appendix III to this prospectus.

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- (2) For illustrative purpose, if excluding the estimated listing expenses incurred during the year ended 31 December 2017 of approximately HK\$11.3 million, the adjusted estimated consolidated profit attributable to owners of the Company (excluding non-recurring listing expenses) would be not less than HK\$7.0 million for the year ended 31 December 2017. Profit attributable to owners of the Company (excluding non-recurring listing expenses) is a non-HKFRS measure.
- (3) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated loss attributable to owners of our Company for the year ended 31 December 2017, assuming a weighted average of 712,147,000 Shares in issue during the entire year and the Share Offer and Capitalisation Issue had been completed on 1 January 2017 without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme. The estimated consolidated loss attributable to owners of the Company for the year ended 31 December 2017 has not taken into account any interest income that would have been earned if the proceeds from the Share Offer had been received by the Company on 1 January 2017.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For our unaudited pro forma adjusted net tangible assets, please refer to the section headed “Appendix II – Unaudited Pro Forma Financial Information” in this prospectus.

### DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

### MATERIAL ADVERSE CHANGE

The impact of the listing expenses on our consolidated statements of profit or loss and other comprehensive income has posted a material adverse change in the financial or trading position or prospect of our Group since 31 August 2017 (being the date of the latest audited consolidated financial statements were made up). Our Directors consider that our financial performance for the year ended 31 December 2017 would be significantly adversely affected by the recognition of listing expenses and a loss is expected to be incurred for the year ended 31 December 2017. The final amount of these amounts to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. As a result of these expenses, our net profit for the year ended 31 December 2017 may decline as compared with the prior financial year. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ended 31 December 2017. Save as disclosed above, our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that save as disclosed under section headed “Summary – Recent Developments and Material Adverse Change” in this prospectus, there is no event which could materially affect the information shown in our consolidated financial information included in the Accountants’ Report set forth in Appendix I to this prospectus since 31 August 2017, and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

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## **STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS**

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### **BUSINESS OBJECTIVES**

Our primary objectives are to further penetrate into the automatic ID photo booths market in Guangdong Province and to maintain as a leading automatic ID photo booth operator in Hong Kong with a view to creating long-term Shareholders' value. We intend to achieve our objectives by implementing the future plans and business strategies as discussed in the section headed "Business – Our Strategies" in this prospectus.

### **FUTURE PLANS AND BUSINESS STRATEGIES**

We intend to implement the following business strategies:

- replicate the success of our business model in Hong Kong to the Guangdong Province by expanding our network of ID photo booths through installing new photo booths in selected sites of railway stations and ID Documentation Issuing Authorities and upgrading existing photo booths;
- maintain our competitiveness in Hong Kong through continued market penetration by extending our reach at metro stations and exploring new sites; and
- upgrade our validation centre and IT infrastructure to cope with our anticipated business growth.

### **REASONS FOR THE SHARE OFFER**

Prior to the Listing, funding of our business activities was primarily from internally generated cash. Our Directors believe that Listing is strategically significant to the long-term growth of our Group's business as it provides the financial resources for our Group's expansion in Guangdong Province, strengthening of our competitiveness, enhancement of our IT infrastructure and promotion of our Group's brand awareness, which lay a solid foundation for our Group for its long-term development and growth. First and foremost, our Directors believe that our expansion plan in Guangdong Province is a key driver for our future growth, and the implementation plan of our business strategies particularly for expansion our network of photo booths, our validation centre and IT infrastructure, involves significant capital outlay which will require considerable additional financial resources. During the Track Record Period, we have successfully secured contracts with the railway corporations in Foshan and Dongguan, Guangdong Province, respectively. Pursuant to such contracts, we have installed and operated photo booths in 21 Foshan metro stations and six Dongguan metro stations, respectively. We have also entered into a collaboration agreement with Prestige Technology for installing and operating photo booths in governmental service centres in Guangdong Province. For details, please refer to the section headed "Business – Our Strategies" and the paragraphs headed "Implementation Plans" in this section below.

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## **STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS**

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We had approached commercial banks in the past for credit facilities. However, most banks would require collateral, either in the form of cash or immovable assets. It has been difficult for us to secure bank borrowings, without the support of our Controlling Shareholders and on terms which we find favourable. Our Directors believe that a listing status could help enhance our Group's creditworthiness to banks to facilitate its future financing needs. Moreover, the Listing will provide a platform for our Group's fund raising in the future through equity financing and enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares when they are privately held before the Listing.

Our Directors also believe that the brand recognition of our Group can be broadened after obtaining a listing status and the corporate profile of our Group can be enhanced, which in turn will contribute to our Group's ability to secure more advantageous photo booth sites and attract more customers. Our Directors believe that our Group's credibility could also be enhanced following the Listing, which would provide us with more leverage and competitive advantages in the tendering process and would attract more opportunities to collaborate with strategic partners.

In addition, through the Listing, our Directors believe that our Group can gain direct access to the capital market for equity and/or debt financing to fund the current business operations as well as to finance our future expansion plans. Our Directors believe that this way of financing is beneficial to the overall business development and financial performance of our Group, which in turn will maximise Shareholders' return.

### **USE OF PROCEEDS**

Assuming that the Offer Size Adjustment Option is not exercised at all, based on the Offer Price of HK\$0.325 per Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the net proceeds of the Share Offer, after deduction of underwriting fees and other expenses payable by our Company in relation to the Share Offer, are estimated to be approximately HK\$39.3 million. Our Company currently intends to use the net proceeds from the Share Offer as follows:

- (a) approximately 87.5% of the total estimated net proceeds, or HK\$34.4 million, will be used to expand our network of ID photo booths by acquiring new photo booths in Guangdong Province and Hong Kong;
- (b) approximately 5.1% of the total estimated net proceeds, or HK\$2.0 million, will be used to upgrade our validation centre and IT infrastructure; and
- (c) approximately 7.4% of the total estimated net proceeds, or HK\$2.9 million, will be used for general working capital purposes.

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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The net proceeds from the issue of the Offer Shares will be utilised by 31 December 2020 and approximately 7.4% will be used as working capital and funding for other general corporate purposes according to our current business plans. If the Offer Price is fixed at the high end of the indicative Offer Price range, being HK\$0.35 per Placing Share, the net proceeds we receive from the issue of the Offer Shares will be approximately HK\$44.1 million. If the Offer Price is fixed at the low end of the indicative Offer Price range, being HK\$0.30 per Offer Share, the net proceeds we receive from the issue of the Offer Shares will be approximately HK\$34.5 million. To the extent that the net proceeds are either more or less than expected, for instance in the event that the Offer Price is set at the high-end or low-end of the indicative Offer Price range, we will adjust our allocation of the net proceeds for the above purposes on a pro-rata basis.

The possible use of our proceeds outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

According to the current estimates, the Directors consider that the net proceeds from the issue of the Offer Shares under the Share Offer and our Group's internal resources will be sufficient to finance our Group's business plans up to the year ending 31 December 2020.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations, if we are unable to effect any part of our future plans as intended, it is the present intention of our Directors that such net proceeds be placed in short-term deposits with financial institutions in Hong Kong.



## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

### IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Listing Date to 31 December 2020, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and Key Assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under “Risk Factors” in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

	From the Listing Date to		For the six months ending				Total	Approximate % of the total net proceeds
	30 June 2018	31 December 2018	30 June 2019	31 December 2019	30 June 2020	31 December 2020		
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)		
Expansion of network of ID photo booths								
– Guangdong Province	2,559	5,849	6,215	6,398	7,129	5,757	33,907	86.2%
– Hong Kong	128	86	86	128	43	43	514	1.3%
Upgrading of validation centre and IT infrastructure	200	1,400	200	200	–	–	2,000	5.1%
General working capital	340	510	510	510	510	510	2,890	7.4%
<b>Total</b>	<b>3,227</b>	<b>7,845</b>	<b>7,011</b>	<b>7,236</b>	<b>7,682</b>	<b>6,310</b>	<b>39,311</b>	<b>100.0%</b>

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**STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS**

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**For the Listing Date to 30 June 2018**

<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds (Approximately)</b>
Expansion of network of ID photo booths		
– Guangdong Province	<ul style="list-style-type: none"><li>• Acquiring approximately 28 new photo booths with transportation costs</li></ul>	HK\$2.6 million
– Hong Kong	<ul style="list-style-type: none"><li>• Acquiring approximately 3 new photo booths with transportation costs</li></ul>	HK\$0.1 million
Upgrading of validation centre and IT infrastructure	<ul style="list-style-type: none"><li>• Installing new server and office intranet; licensing software package and purchasing computers for our Hong Kong office</li></ul>	HK\$0.2 million
General working capital		HK\$0.3 million

**For the six months ending 31 December 2018**

<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds (Approximately)</b>
Expansion of network of ID photo booths		
– Guangdong Province	<ul style="list-style-type: none"><li>• Acquiring approximately 64 new photo booths with transportation costs</li></ul>	HK\$5.8 million
– Hong Kong	<ul style="list-style-type: none"><li>• Acquiring approximately 2 new photo booths with transportation costs</li></ul>	HK\$0.1 million
Upgrading of validation centre and IT infrastructure	<ul style="list-style-type: none"><li>• Acquiring and installing a new full set of validation system at our Guangzhou validation centre</li><li>• Installing new server and office intranet; licensing software package and purchasing computers for our Hong Kong office</li></ul>	HK\$1.2 million HK\$0.2 million
General working capital		HK\$0.5 million

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**STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS**

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**For the six months ending 30 June 2019**

<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds (Approximately)</b>
Expansion of network of ID photo booths		
– Guangdong Province	<ul style="list-style-type: none"><li>• Acquiring approximately 68 new photo booths with transportation costs</li></ul>	HK\$6.2 million
– Hong Kong	<ul style="list-style-type: none"><li>• Acquiring approximately 2 new photo booths with transportation costs</li></ul>	HK\$0.1 million
Upgrading of validation centre and IT infrastructure	<ul style="list-style-type: none"><li>• Installing new server and office intranet; licensing software package and purchasing computers for our Hong Kong office</li></ul>	HK\$0.2 million
General working capital		HK\$0.5 million

**For the six months ending 31 December 2019**

<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds (Approximately)</b>
Expansion of network of ID photo booths		
– Guangdong Province	<ul style="list-style-type: none"><li>• Acquiring approximately 70 new photo booths with transportation costs</li></ul>	HK\$6.4 million
– Hong Kong	<ul style="list-style-type: none"><li>• Acquiring approximately 3 new photo booths with transportation costs</li></ul>	HK\$0.1 million
Upgrading of validation centre and IT infrastructure	<ul style="list-style-type: none"><li>• Installing new server and office intranet; licencing software package and purchasing computers for our Guangzhou office</li></ul>	HK\$0.2 million
General working capital		HK\$0.5 million

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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### For the six months ending 30 June 2020

Business strategies	Implementation plans	Use of proceeds (Approximately)
Expansion of network of ID photo booths		
– Guangdong Province	• Acquiring approximately 78 new photo booths	HK\$7.1 million
– Hong Kong	• Acquiring approximately 1 new photo booth	HK\$0.04 million
General working capital		HK\$0.5 million

### For the six months ending 31 December 2020

Business strategies	Implementation plans	Use of proceeds (Approximately)
Expansion of network of ID photo booths		
– Guangdong Province	• Acquiring approximately 71 new photo booths	HK\$5.8 million
– Hong Kong	• Acquiring approximately 1 new photo booth	HK\$0.04 million
General working capital		HK\$0.5 million

## BASES AND KEY ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 December 2019:

- (a) there will be no material change in the existing political, legal, fiscal or economic conditions in Hong Kong, the PRC or in any other places in which any member of our Group carries on or will carry on business;
- (b) there will be no outbreak of contagious diseases or occurrence of *force majeure* events or natural disasters in Hong Kong, the PRC or in any other places in which any member of our Group operates or will operate or is incorporated, which would materially disrupt our business operations;

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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- (c) there will be no material change in the existing laws, regulations, policies or industry standards in Hong Kong, the PRC or any part of the world relating or applicable to us;
- (d) there will be no material change in the bases or rates of taxation in Hong Kong, the PRC or in any other places in which any member of our Group operates or will operate or is incorporated;
- (e) the Share Offer will be completed in accordance with and as described in the section headed “Structure of the Share Offer” in this prospectus;
- (f) our Group will not be materially affected by any risk factors set out in the section headed “Risk Factors” in this prospectus;
- (g) our Group’s operations will not be adversely affected by interruptions or labour disputes, for reasons that are beyond the control of our Directors;
- (h) there will be no fund raising activities, other than the Listing;
- (i) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (j) our Group will be able to continually obtain adequate finance for our business and operate as a going concern in the foreseeable future. The respective offering financial institutions will not withdraw any of the existing available facilities;
- (k) there will be no Share repurchase;
- (l) there will not be material changes in the market demand and the competitive landscape of the automatic photo booth industry;
- (m) the listing expenses will be settled in accordance with the payment schedules as stated in the respective mandates with professional parties;
- (n) there will be no change to existing accounting policies from those stated in the consolidated audited financial statements of our Group for the Track Record Period; and
- (o) our Group will be able to continue its operations in substantially the same manner as our Group had been operating during the Track Record Period and our Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

South China Securities Limited

Future Land Resources Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **The Hong Kong Public Offering**

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares to be issued pursuant to the Capitalisation Issue and pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme) by the Listing Division and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally but not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for termination*

The Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall be entitled by written notice to our Company (on behalf of the other parties thereto other than the Public Offer Underwriters and the Sole Sponsor), in its sole and absolute distribution to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (which is expected to be on Wednesday, 28 February, 2018) if:

- (a) there has come to the notice of the Sole Sponsor, the Joint Bookrunners or any Public Offer Underwriters or the Joint Bookrunners or any Public Offer Underwriters have reasonable cause to believe:
  - (i) that any statement contained in this prospectus, any supplemental offering materials, announcement, the formal notice to be issued on Thursday, 15 February, 2018 by our Company substantially in the agreed form pursuant

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## UNDERWRITING

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to the GEM Listing Rules, the roadshow materials and any other document published or issued by or on behalf of our Company, the Sole Sponsor, the Joint Bookrunners and/or other Underwriters for the purpose of or in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion, was when the same was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect in the sole and absolute opinion of the Joint Bookrunners or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and is not based on reasonable assumptions; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the Relevant Documents considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion to be material; or
- (iii) any breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters) as determined by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion to be material; or
- (iv) any material adverse change or development involving a prospective material adverse change (whether or not permanent) in the sole and absolute opinion of the Joint Bookrunners, in the assets, liabilities, business management, shareholders’ equity, profits, losses, results of operations, prospects or the financial or trading position of our Group or performance of our Group as a whole; or
- (v) any breach of, or any event or circumstances rendering untrue, incomplete or inaccurate, any of the representations, warranties, agreements and undertakings given by our Company, the executive Directors or the Controlling Shareholders (the “**Warranties**”) under the Public Offer Underwriting Agreement, as determined by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion to be material; or
- (vi) any of the Warranties under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading, deceptive or breached in any respect when given or repeated as determined by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion to be material.

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## UNDERWRITING

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- (vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or
- (ix) any expert (other than the Sole Sponsor) named in the section headed “Statutory and General Information – E. Other Information – 4. Qualification of experts” under Appendix V to this prospectus has withdrawn its consent to being named in any or to the issue of this prospectus or the Application Forms; or
- (x) any event, act or omission which gives rise to or is likely to give rise to any material liability, in the sole and absolute opinion of the Joint Bookrunners, of any of the our Company, the executive Directors or the Controlling Shareholders pursuant to the indemnity clause of the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or
- (xi) a portion of the orders in the bookbuilding process, which is considered by the Joint Bookrunner (for themselves and on behalf of the Public Offer Underwriters) in its absolute opinion to be material, at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Bookrunners, in their sole and absolute discretion, to be material; or
- (xii) a contravention by any member of our Group of the GEM Listing Rules or any other applicable publicly available laws, rules, regulations, guidelines, opinions, notices, circulars, policies, directives, orders, judgments, decrees or rulings of any court, government, governmental or regulatory authority or any other public, regulatory, taxing, administrative or governmental, agency or authority, any self-regulatory organisation or any securities exchange authority (including, without limitation, the Stock Exchange and the SFC), other authority and any court at the national, provincial, municipal or local level of all relevant jurisdictions, including (without limitation) the PRC, Hong Kong, the Cayman Islands and the BVI (as the case may be) (“**Government Authority**”) and all relevant the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, Corporate Finance Adviser Code of Conduct, the Guidelines to sponsors, underwriters and placing



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## UNDERWRITING

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agents involved in the listing and placing of GEM stocks issued by the SFC, the joint statement regarding the price volatility of GEM stocks issued by the SFC and the Stock Exchange on 20 January 2017 and the statement on recent GEM listing applicants issued by the SFC on 13 March 2017 and the GEM Listing Rules, as issued, updated and supplemented from time to time) (collectively, “**Relevant Laws**”), as determined by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion to be material; or

- (xiii) a prohibition on our Company for whatever reason from offering, allotting, selling or delivering the Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) pursuant to the terms of the Share Offer; or
  - (xiv) the chairman or an executive Director of our Company vacating his or her office.
- (b) there shall develop, occur, exist, continue to exist or come into effect:
- (i) any event, or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency of war, calamity, crisis, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, war, threat of war, acts of God, acts of terrorism, outbreak or escalation of hostilities (whether or not war is declared), riot, public disorder, economic sanctions, outbreak of diseases or pandemic, epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, PRC, Japan, Singapore, the United States, the United Kingdom, the European Union, Switzerland or where any member of the Group was incorporated or has operation (the “**Relevant Jurisdictions**”); or
  - (ii) any change or development involving a prospective change, or any event or series of events currently in existence or otherwise, likely to result in any change or development (whether or not permanent) in local, national, regional or international, financial, economic, currency, legal, exchange control, political, military, industrial, fiscal, regulatory or market or other conditions, circumstances or matters and/or disaster or any monetary or trading settlement systems (including without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures), in or affecting any Relevant Jurisdictions); or
  - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in securities generally on the Stock Exchange, the New York Stock Exchange, American Stock Exchange, the NASDAQ Stock Market, London Stock Exchange, Singapore Stock Exchange, Tokyo Stock Exchange or any of the stock exchanges in the PRC; or
  - (iv) any new Relevant Law or directive or change (whether or not forming part of a series of changes) or development including a prospective change in existing Relevant Laws or in the interpretation or application thereof by any court or Government Authority or other competent authority in or affecting any Relevant Jurisdictions; or

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## UNDERWRITING

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- (v) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, on or affecting any Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in or affecting any Relevant Jurisdictions; or
- (vii) any change or development involving a prospective change, or a materialization of, any of the risks set forth in the section headed “Risk Factors” in this prospectus; or
- (viii) any litigation, legal proceedings or claim of any third party being threatened or instigated against any member of our Group; or
- (ix) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (x) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xi) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading, or securities settlement or clearance services in those places or jurisdictions; or
- (xiii) there is a change in the system under which the value of the HK\$ is linked to that of the US dollar or the peg of RMB to a basket of currencies including USD; or
- (xiv) a Governmental Authority or a political body or organization in any Relevant Jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and

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## UNDERWRITING

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senior management members of our Group as set out in the “Directors and senior management” section of this prospectus; or any Directors or such senior management members being charged with an indictable offence or prohibited by operation of Relevant Law or otherwise disqualified from taking part in the management of a company; or

- (xv) non-compliance by our Company with Relevant Law(s) of any Relevant Documents or with respect to any matters relating to the Share Offer, the Offer Shares, the Listing and/or any other related matters,

which, individually or in aggregate, in the sole and absolute opinion (after consulting with our Company) of the Sole Sponsor and/or the Joint Bookrunners (1) is or shall have or could be expected to have a material adverse change, or any development likely to involve or involving a prospective material adverse change, in the financial or operational condition or in the earnings, management, prospects, assets or liabilities of our Group as a whole, whether or not arising in the ordinary course of business (“**Material Adverse Effect**”); or (2) has or shall have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Hong Kong Public Offering or the level of interest under the Share Offer; or (3) makes or may make it inadvisable, inexpedient, impracticable or not commercially viable (i) for the Share Offer to proceed or (ii) for any material part of the Underwriting Agreements (including underwriting) to be performed or implemented in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof or (4) having any compliance related concern in respect of the Share Offer, the Offer Shares, the Listing, and/or any other related matters, with consideration of Relevant Law(s).

### **Undertakings to the Stock Exchange**

#### *Undertakings by our Company*

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company undertakes to the Stock Exchange that save as pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option and the grant and exercise of the options under the Share Option Scheme), no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by us, or form the subject of any agreement by us to such an issue, within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Share Offer (including pursuant to the exercise of the Offer Size Adjustment Option), any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances permitted pursuant to Rules 17.29(1) to (5) of the GEM Listing Rules.

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## UNDERWRITING

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### *Undertakings by our Controlling Shareholders*

Each of the Controlling Shareholders undertakes to our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters and the Stock Exchange that, except pursuant to the Share Offer and for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/she/it shall not, and shall procure that the relevant registered holder(s) of the Shares shall not,

- (a) within the period commencing on the date by reference to which disclosure of his/she/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (b) within the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder.

Each of the Controlling Shareholders further irrevocably undertakes and covenants with our Company, the Sole Sponsor, the Joint Bookrunners, the Public Offer Underwriter(s) and the Stock Exchange that he/she/it shall, and shall procure that the relevant registered holder(s) shall,

- (c) in the event that he/she/it pledges or charges any direct or indirect interest in the Shares pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First Six-Month Period, inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (d) having pledged or charged any interest in the Shares under (c) above, inform our Company immediately in the event that he/she/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that our Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

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## UNDERWRITING

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### Undertakings pursuant to the Public Offer Underwriting Agreement

#### *Undertakings by our Company*

Our Company irrevocably undertakes to and covenants with each of the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriter(s), and each of the Controlling Shareholders and the executive Directors undertakes to and covenants with the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriter(s) to procure that, during the First Six-Month Period, save with the prior written consent of the Sole Sponsor and the Joint Bookrunners (for itself and on behalf of the Public Offer Underwriter(s) and the Sole Sponsor) and in compliance with the GEM Listing Rules and the applicable laws, and save pursuant to the Share Offer, the Capitalisation Issue and the issue of Shares pursuant to the Share Option Scheme; or (iii) any other share option scheme of our Company adopted from time to time, our Company shall not:

- (a) at anytime during the First Six-Month Period:
  - (i) offer, allot or issue, or agree to offer, allot, issue (conditionally or unconditionally) any Shares or securities convertible into or exchangeable for equity securities of our Company (whether or not of a class already listed); or
  - (ii) grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for or otherwise acquire or convertible or exchangeable into Shares or other securities of our Company (whether or not of a class already listed); or
  - (iii) enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates, either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or
  - (iv) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or securities convertible into or exchangeable for such Shares; or
  - (v) repurchase any Shares or securities of our Company; or
  - (vi) offer to or agree to do any of the foregoing or announce any intention to do so;

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## UNDERWRITING

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- (b) at any time during the Second Six-Month Period do any of the acts set out in paragraph (a) above, so as to result in the Controlling Shareholders (together with any of its close associates) either individually or taken together with the others of them cease to be a controlling shareholder of our Company (within the meaning of the GEM Listing Rules); and
- (c) in the event that our Company does any of the acts set out in paragraphs (a) and (b) above after the expiry of the First Six-Month Period or the Second Six-Month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

### *Undertaking by our Controlling Shareholders*

Each of the Controlling Shareholders has irrevocably undertaken to and covenanted with each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Public Offer Underwriter(s) that, without the prior written consent of each of our Company, the Sole Sponsor and the Sole Bookrunner and the Sole Lead Manager, it shall not directly or indirectly and shall procure that none of its close associates or the companies controlled by it or any nominee or trustee holding in trust for it shall,

- (a) during the First Six-Month Period:
  - (i) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or otherwise create any options, warrants, rights, interests or a mortgage, charge, pledge, lien, option, restriction, right of first refusal, security interest, claim, equity interest, right of pre-emption, third-party right or interest, or interests or rights of the same nature as the foregoing or other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (“**Encumbrances**”) (including the creation or entry into of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charge, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any of the Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such shares therein owned by it or any of its close associates or in which it or any of its close associates is, directly or indirectly, interested immediately after the completion of the Capitalisation Issue, the Share Offer and the issuance and allotment of any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares or such securities; or

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## UNDERWRITING

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- (ii) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or otherwise create any options, warrants, rights, interests or Encumbrances (including the creation or entry into of any agreement to create any pledge or charge or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any shares or interest in any company controlled by it or any of its close associates which is the beneficial owner (directly or indirectly) of any of such securities or any interests therein as referred to in paragraph (a) above (or any other shares or securities of or interest in such company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); or
  - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a)(i) and (a)(ii) above; or
  - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a)(i), (a)(ii), or (a)(iii) above.
- (b) during the Second Six-Month Period:
- (i) sell, transfer, dispose of, offer to sell, transfer or disposal of nor enter into any agreement to sell, transfer or dispose of or create any options, warrants, rights, interests or Encumbrances (including the creation or entry into of any agreement to create any pledge or charge or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) on any shares in any company controlled by it or any of their close associates which is the beneficial owner (directly or indirectly) of such Shares or any interests therein as aforesaid if, immediately following such disposal or creation of rights, the Controlling Shareholders (together with its close associates) would, directly or indirectly, cease to be a controlling shareholder of our Company (within the meaning of the GEM Listing Rules) or cease to hold, directly or indirectly, a controlling interest of over 30%, or such lower amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer, in our Company; or
  - (ii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (b)(i) above announce any intention to enter into or effect any of the transactions referred to in paragraph (b)(i) above.

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## UNDERWRITING

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In the event of a disposal by it of any of the Shares or securities or any interest therein during the Second Six-Month Period, it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of our Company.

### **The Placing**

#### *Placing Underwriting Agreement*

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriter(s), on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Pursuant to the Placing Underwriting Agreement, we are offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Placing Underwriting Agreement and this prospectus, at the Offer Price. Under the Placing Underwriting Agreement, subject to, among other conditions, (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the GEM of the Stock Exchange; (ii) the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated; (iii) the Price Determination Agreement having been duly signed by our Company and the Joint Bookrunners (acting for themselves and on behalf of the Underwriters) on the date thereof and such agreement not subsequently having been terminated in accordance with its terms or otherwise; and (iv) certain other conditions set out in the Placing Underwriting Agreement, the Placing Underwriter(s) has/have severally agreed to subscribe for, or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that our Company will grant the Offer Size Adjustment Option to the Placing Underwriter(s), exercisable by the Joint Bookrunners on behalf of the Placing Underwriter(s) at any time prior to the Listing Date, to require our Company to issue up to an aggregate of 30,000,000 additional new Shares, representing in aggregate 15% of the Offer Shares initially available under the Share Offer at the Offer Price, under the Placing to cover over-allocations (if any) in the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the sub-section headed “Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.



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## UNDERWRITING

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### **Total commission, fee and expenses**

In connection with the Share Offer, the Public Offer Underwriter(s) will, and the Placing Underwriter(s) is/are expected to receive an underwriting commission of 3.5% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. If any of Offer Size Adjustment Option is exercised, the underwriting commission will be calculated in the same manner with the Offer Shares initially available for subscription. In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fee. In addition, our Company may also, conditional upon completion of the Share Offer, at its sole and absolute discretion pay to the Joint Bookrunners an additional discretionary bonus for its service and/or performance in such amount as our Company in its sole and absolute discretion determine.

The aggregate commissions and estimated expenses, together with Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to be approximately HK\$25.7 million (assuming the Offer Size Adjustment Option is not exercised and the Offer Price ranging from HK\$0.30 to HK\$0.35 per Share) and are payable by our Company.

### **INDEPENDENCE OF THE SOLE SPONSOR**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

### **SOLE SPONSOR'S, JOINT BOOKRUNNERS' AND UNDERWRITERS' INTERESTS IN OUR COMPANY**

Save for their interests and obligations under the Underwriting Agreements and the sponsorship fee payable to the Sole Sponsor in respect of the Listing, none of the Sole Sponsor, the Joint Bookrunners and the Underwriters are interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

### **MINIMUM PUBLIC FLOAT**

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

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## STRUCTURE OF THE SHARE OFFER

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### THE SHARE OFFER

The Share Offer comprises:

- (a) the Hong Kong Public Offering of 20,000,000 new Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the sub-section headed “The Hong Kong Public Offering” in this section; and
- (b) the Placing of an aggregate of 180,000,000 new Shares (subject to reallocation as mentioned below and the Offer Size Adjustment Option) in Hong Kong to professional, institutional and/or other investors.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Hong Kong Public Offering.

The Offer Shares will represent 25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised).

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares initially offered

We are initially offering 20,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Hong Kong Public Offering and the Placing, the Hong Kong Offer Shares will represent approximately 2.5% of the total issued share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the sub-section headed “Conditions of the Hong Kong Public Offering” in this section.

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## STRUCTURE OF THE SHARE OFFER

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### Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate;
  - (ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 20,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 40,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
  - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 40,000,000 Shares will be reallocated to the Hong Kong Public Offering from the Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 60,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);

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## STRUCTURE OF THE SHARE OFFER

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- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 60,000,000 Shares will be reallocated to the Hong Kong Public Offering from the Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 80,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
  - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 80,000,000 Shares will be reallocated to the Hong Kong Public Offering from the Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 100,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).
- (b) Where the Placing Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
  - (ii) if the Hong Kong Offer Shares are oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 20,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 40,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and The Placing in the circumstances where (xx) the Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (yy) the Placing Shares are undersubscribed and the Hong Kong Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.30 per Offer Share) stated in this prospectus.

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## STRUCTURE OF THE SHARE OFFER

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In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. In addition, the Joint Bookrunners may in its sole and absolute discretion reallocate Offer Shares of the Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

Multiple or suspected multiple applications and any application for more than 100% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering are liable to be rejected.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$0.35 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee, amounting to a total of HK\$2,828.22 per board lot of 8,000 Offer Shares. If the Offer Price, as finally determined in the manner described in the sub-section headed "Price Determination of the Share Offer" in this section, is less than the maximum price of HK\$0.35 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

### **THE PLACING**

#### **Number of Offer Shares offered**

The Placing will consist of an initial offering of 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the total number of Offer Shares initially available under the Share Offer and approximately 22.5% of the total issued share capital immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised). The Placing will be offered by us to professional, institutional and/or other investors in Hong Kong.

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## STRUCTURE OF THE SHARE OFFER

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### **Allocation**

The Placing will include selective marketing of the Placing Shares to professional, institutional and/or other investors anticipated to have a sizeable demand for the Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Placing Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Price Determination of the Share Offer” below and based on a number of factors, including the level and timing of demand, and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

### **Reallocation**

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement as described in the paragraph headed “The Hong Kong Public Offering – Reallocation” in this section and/or the exercise of the Offer Size Adjustment Option in whole or in part. In addition, the Joint Bookrunners may reallocate Placing Shares from the Placing to the Hong Kong Public Offering to satisfy the valid applications under the Hong Kong Public Offering that exceeds the number of Hong Kong Offer Shares initially offered. The Offer Shares to be offered in the Hong Kong Public Offering and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

### **PRICE DETERMINATION OF THE SHARE OFFER**

The Placing Underwriter(s) will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the Placing. Prospective investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

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## STRUCTURE OF THE SHARE OFFER

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Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Friday, 23 February, 2018 by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of our Company ([www.maxsightgroup.com](http://www.maxsightgroup.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) a notice of the reduction and to be issued a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, they will be allowed to subsequently withdraw their applications. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Bookrunners, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

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## STRUCTURE OF THE SHARE OFFER

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The net proceeds of the Share Offer accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Share Offer) are estimated to be approximately HK\$39.9 million, assuming an Offer Price per Offer Share of HK\$0.325 (being the mid-point of the stated indicative Offer Price range of HK\$0.30 to HK\$0.35 per Offer Share).

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, 27 February, 2018 on the website of our Company ([www.maxsightgroup.com](http://www.maxsightgroup.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

**If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or about Friday, 23 February, 2018, the Share Offer will not become unconditional and will lapse immediately.**

### UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Public Offer Underwriter(s) under the terms of the Public Offer Underwriting Agreement and is conditional upon the Placing Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriter(s) expect to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

### OFFER SIZE ADJUSTMENT OPTION

In connection with the Share Offer, our Company granted to the Joint Bookrunners (for themselves and on behalf of the Underwriters) the Offer Size Adjustment Option to cover over-allocations under the Placing (if any). Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Offer Price, up to an aggregate of 30,000,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer.



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## STRUCTURE OF THE SHARE OFFER

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The Offer Size Adjustment Option can only be exercised by the Joint Bookrunners (for themselves and on behalf of the Underwriters) prior to the Listing Date; otherwise it will lapse. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and are not subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong).

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the enlarged issued share capital of our Company in issue following completion of the Capitalisation Issue, the Share Offer and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (assuming the Offer Price of HK\$0.325 per Share (being the mid-point of the indicative Offer Price range)) are estimated to be approximately HK\$9.75 million, which would be applied to the respective uses on a pro-rata basis as disclosed in the section headed “Statement of Business Objectives and Use of Proceeds – Implementation Plans” in this prospectus.

We will disclose in the allotment results announcement whether the Offer Size Adjustment Option is exercised.

### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Share Offer (including any Shares to be issued upon the exercise of the Offer Size Adjustment Option) and the options that may be granted under the Share Option Scheme;
- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Placing Underwriter(s) under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms, on or before the dates and times specified in the Placing Underwriting Agreement.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), or the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

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## STRUCTURE OF THE SHARE OFFER

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The consummation of each of the Hong Kong Public Offering and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by on our Company's website ([www.maxsightgroup.com](http://www.maxsightgroup.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Tuesday, 27 February, 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 28 February, 2018 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for termination" in this prospectus has not been exercised.

### DEALINGS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 28 February, 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 28 February, 2018.

The Shares will be traded in board lots of 8,000 Shares each. The stock code of the Shares is 8483.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time (“**Regulation S**”)); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members’ names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation’s chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept or reject it at their discretion and on any conditions they think fit, including provision of evidence of the attorney’s authority.

The number of joint applicants may not exceed four for the Hong Kong Offer Shares.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Unless permitted by the GEM Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a core connected person (as defined in the GEM Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; or
- a close associate (as defined in the GEM Listing Rules) of any of the above;
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 15 February, 2018 until 12:00 noon on Thursday, 22 February, 2018 from:

- (i) the following office(s) of the Public Offer Underwriter(s):

South China Securities Limited  
at 28/F., Bank of China Tower,  
1 Garden Road,  
Central

Future Land Resources Securities Limited  
at 6/F, Winbase Centre  
208 Queen's Road Central  
Central  
Hong Kong

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (ii) the following branches of the receiving bank, Standard Chartered Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Kwun Tong Branch	G/F & 1/F One Pacific Centre, 414 Kwun Tong Road, Kwun Tong
	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
New Territories	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 15 February 2018 until 12:00 noon on Thursday, 22 February 2018 from the Depository Counter of HKSCC at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited – Max Sight Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

**Thursday, 15 February 2018 – 9:00 a.m. to 5:00 p.m.**  
**Tuesday, 20 February 2018 – 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 21 February 2018 – 9:00 a.m. to 5:00 p.m.**  
**Thursday, 22 February 2018 – 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 22 February 2018, the last application day or such later time as described in the sub-section headed "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F., One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

#### Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person’s benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees’ name on our Company’s register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
  - agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees’ application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus;
- agree that once HKSCC Nominees’ application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company’s announcement of the Hong Kong Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 8,000 Hong Kong Offer Shares. Instructions for more than 8,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Thursday, 15 February 2018</b>	<b>– 9:00 a.m. to 8:30 p.m.</b> <sup>(Note 1)</sup>
<b>Tuesday, 20 February 2018</b>	<b>– 8:00 a.m. to 8:30 p.m.</b> <sup>(Note 1)</sup>
<b>Wednesday, 21 February 2018</b>	<b>– 8:00 a.m. to 8:30 p.m.</b> <sup>(Note 1)</sup>
<b>Thursday, 22 February 2018</b>	<b>– 8:00 a.m.</b> <sup>(Note 1)</sup> <b>to 12:00 noon</b>

*Note:*

- 1 These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 15 February 2018 until 12:00 noon on Thursday, 22 February 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 22 February 2018, the last application day or such later time as described in the sub-section headed “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No multiple applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **6. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 22 February 2018.

### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealings in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 8,000 Hong Kong Offer Shares. Each application or **electronic application instructions** in respect of more than 8,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the GEM Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Share Offer” in this prospectus.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 22 February 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 22 February 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indication of interest in the Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 27 February 2018 on our Company’s website at **www.maxsightgroup.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.maxsightgroup.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 27 February 2018;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 27 February 2018 to 12:00 midnight on Monday, 5 March 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 27 February 2018 to Friday, 2 March 2018 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 27 February 2018 to Thursday, 1 March 2018 at all the receiving bank’s designated branches on a Business Day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES**

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering.

### 12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.35 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering set out in the section headed “Structure of the Share Offer – Conditions of the Hong Kong Public Offering” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 27 February 2018.

### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 27 February 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 28 February 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### *(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 27 February 2018 or such other date as notified by our Company as the date of collection/despatch of share certificates, refund cheques payment instructions. If you are an individual who is eligible for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 27 February 2018, by ordinary post and at your own risk.

*(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Tuesday, 27 February 2018 or such other date as notified by our Company as the date of collection/dispatch of share certificates, refund cheques payment instructions. If you are an individual who is eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 27 February 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 27 February 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the sub-section headed "10. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before

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5:00 p.m. on Tuesday, 27 February 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

*(iii) If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

**Deposit of share certificates into CCASS and refund of application monies**

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 27 February 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "10. Publication of Results" above on Tuesday, 27 February 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 27 February 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 27 February 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 27 February 2018.

### **14. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-42, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MAX SIGHT GROUP HOLDINGS LIMITED AND SOUTH CHINA CAPITAL LIMITED****Introduction**

We report on the historical financial information of Max Sight Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-42, which comprises the consolidated statements of financial position of the Group as at 31 December 2015 and 2016 and 31 August 2017, statement of financial position of the Company as at 31 August 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended 31 December 2016 and the eight months ended 31 August 2017 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-42 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 15 February 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015 and 2016 and 31 August 2017, of the Company's financial position as at 31 August 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended 31 August 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to note 11 to the Historical Financial Information which contains information about the dividends declared by the Company's subsidiaries and states that no dividends have been declared by the Company in respect of the Relevant Periods.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
15 February 2018



**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTES	Year ended 31 December		Eight months ended 31 August	
		2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 <i>(unaudited)</i>	2017 HK\$'000
Revenue	5	49,753	47,453	32,799	31,795
Cost of sales		<u>(28,784)</u>	<u>(26,643)</u>	<u>(18,420)</u>	<u>(17,586)</u>
Gross profit		20,969	20,810	14,379	14,209
Other income	6	5	7	4	5
Other gains and losses, net	6	171	(141)	(80)	54
Administrative expenses		(9,471)	(9,585)	(6,321)	(6,010)
Finance costs	8	(16)	(15)	(11)	(7)
Listing expenses		<u>–</u>	<u>–</u>	<u>–</u>	<u>(9,755)</u>
Profit (loss) before taxation	9	11,658	11,076	7,971	(1,504)
Income tax expense	10	<u>(2,020)</u>	<u>(2,076)</u>	<u>(1,457)</u>	<u>(1,486)</u>
Profit (loss) for the year/period		9,638	9,000	6,514	(2,990)
<b>Other comprehensive (expense) income for the year/period</b>					
<i>Item that will not be reclassified to profit or loss:</i>					
Exchange differences arising on translation		<u>(77)</u>	<u>(136)</u>	<u>(35)</u>	<u>206</u>
Total comprehensive income (expense) for the year/period		<u><u>9,561</u></u>	<u><u>8,864</u></u>	<u><u>6,479</u></u>	<u><u>(2,784)</u></u>
Profit (loss) for the year/period attributable to:					
Owners of the Company		5,969	5,976	4,305	(4,643)
Non-controlling interests		<u>3,669</u>	<u>3,024</u>	<u>2,209</u>	<u>1,653</u>
		<u><u>9,638</u></u>	<u><u>9,000</u></u>	<u><u>6,514</u></u>	<u><u>(2,990)</u></u>
Total comprehensive income (expense) attributable to:					
Owners of the Company		5,932	5,911	4,288	(4,489)
Non-controlling interests		<u>3,629</u>	<u>2,953</u>	<u>2,191</u>	<u>1,705</u>
		<u><u>9,561</u></u>	<u><u>8,864</u></u>	<u><u>6,479</u></u>	<u><u>(2,784)</u></u>
Earnings (loss) per share:					
– Basic (HK cents)	12	<u><u>1.40</u></u>	<u><u>1.40</u></u>	<u><u>1.01</u></u>	<u><u>(0.99)</u></u>

## STATEMENTS OF FINANCIAL POSITION

		The Group		As at	The Company
	NOTES	As at 31 December 2015	As at 31 December 2016	31 August 2017	As at 31 August 2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment	13	3,039	3,011	2,789	–
Deposits	15	1,267	1,366	3,414	–
Investments in subsidiaries		–	–	–	14,173
		<u>4,306</u>	<u>4,377</u>	<u>6,203</u>	<u>14,173</u>
Current assets					
Inventories		245	603	527	–
Trade receivables	14	957	684	701	–
Other receivables, deposits and prepayments	15	364	1,851	4,295	3,652
Tax recoverables		53	–	–	–
Amount due from a related company	16	128	129	–	–
Amount due from a director	16	3,649	271	–	–
Bank balances and cash	17	17,533	24,543	13,561	–
		<u>22,929</u>	<u>28,081</u>	<u>19,084</u>	<u>3,652</u>
Current liabilities					
Trade payables	18	27	9	24	–
Other payables and accrued charges	19	2,786	3,121	4,674	1,874
Dividend payables		–	–	10,800	–
Amount due to a director	16	230	230	230	–
Amounts due to subsidiaries	20	–	–	–	11,533
Obligation under finance lease	21	207	214	218	–
Tax payable		916	1,105	2,168	–
		<u>4,166</u>	<u>4,679</u>	<u>18,114</u>	<u>13,407</u>
Net current assets (liabilities)		<u>18,763</u>	<u>23,402</u>	<u>970</u>	<u>(9,755)</u>
Non-current liabilities					
Deferred tax liabilities	23	96	156	155	–
Obligation under finance lease	21	397	183	37	–
		<u>493</u>	<u>339</u>	<u>192</u>	<u>–</u>
Net assets		<u>22,576</u>	<u>27,440</u>	<u>6,981</u>	<u>4,418</u>
Capital and reserves					
Issued share capital	24	2,453	2,453	10	10
Reserves		10,040	14,040	6,971	4,408
Equity attributable to owners of the Company		<u>12,493</u>	<u>16,493</u>	<u>6,981</u>	<u>4,418</u>
Non-controlling interests		<u>10,083</u>	<u>10,947</u>	<u>–</u>	<u>–</u>
Total equity		<u>22,576</u>	<u>27,440</u>	<u>6,981</u>	<u>4,418</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Issued share capital HK\$'000	Translation reserve HK\$'000	Accumulated profits (losses) HK\$'000	Other reserve HK\$'000			
At 1 January 2015	2,453	71	6,102	–	8,626	8,339	16,965
Profit for the year	–	–	5,969	–	5,969	3,669	9,638
Other comprehensive expense for the year	–	(37)	–	–	(37)	(40)	(77)
Profit and total comprehensive (expense) income for the year	–	(37)	5,969	–	5,932	3,629	9,561
Dividend ( <i>Note 11</i> )	–	–	(2,065)	–	(2,065)	(1,885)	(3,950)
At 31 December 2015	2,453	34	10,006	–	12,493	10,083	22,576
Profit for the year	–	–	5,976	–	5,976	3,024	9,000
Other comprehensive expense for the year	–	(65)	–	–	(65)	(71)	(136)
Profit and other comprehensive (expense) income for the year	–	(65)	5,976	–	5,911	2,953	8,864
Dividend ( <i>Note 11</i> )	–	–	(1,911)	–	(1,911)	(2,089)	(4,000)
At 31 December 2016	2,453	(31)	14,071	–	16,493	10,947	27,440
(Loss) profit for the period	–	–	(4,643)	–	(4,643)	1,653	(2,990)
Other comprehensive income for the period	–	154	–	–	154	52	206
Profit (loss) and other comprehensive income (expense) for the period	–	154	(4,643)	–	(4,489)	1,705	(2,784)
Dividend ( <i>Note 11</i> )	–	–	(11,079)	–	(11,079)	(6,596)	(17,675)
Reorganisation ( <i>Note</i> )	(2,443)	–	–	8,499	6,056	(6,056)	–
At 31 August 2017	10	123	(1,651)	8,499	6,981	–	6,981
At 1 January 2016	2,453	34	10,006	–	12,493	10,083	22,576
Profit for the period	–	–	4,305	–	4,305	2,209	6,514
Other comprehensive expense for the period	–	(17)	–	–	(17)	(18)	(35)
Profit and other comprehensive (expense) income for the period	–	(17)	4,305	–	4,288	2,191	6,479
Dividend ( <i>Note 11</i> )	–	–	(1,911)	–	(1,911)	(2,089)	(4,000)
At 31 August 2016 (unaudited)	2,453	17	12,400	–	14,870	10,185	25,055

*Note:* Upon the completion of the Reorganisation on 6 July 2017, Max Sight, MV Asset, Fullwise, Treasure Star and Max Sight International (as defined in note 1) have become indirect wholly-owned subsidiaries of the Company. Details of the Reorganisation are set out in note 1.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December		Eight months ended 31 August	
		2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
<b>OPERATING ACTIVITIES</b>					
Profit (loss) before taxation		11,658	11,076	7,971	(1,504)
Adjustments for:					
Depreciation of property, plant and equipment		1,137	1,088	733	769
(Gain) loss on disposal of property, plant and equipment		(210)	21	21	–
Finance costs		16	15	11	7
Operating cash flows before movements in working capital		12,601	12,200	8,736	(728)
Decrease (increase) in inventories		15	(358)	110	76
(Increase) decrease in trade receivables		(95)	273	194	(17)
Decrease (increase) in other receivables, deposits and prepayments		1,616	(1,602)	(1,639)	(2,575)
(Decrease) increase in trade payables		(73)	(13)	(27)	13
Increase in other payables and accrued charges		876	902	2,464	1,510
Cash generated from (used in) operations		14,940	11,402	9,838	(1,721)
Income tax paid		(2,170)	(1,770)	(490)	(427)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>		<b>12,770</b>	<b>9,632</b>	<b>9,348</b>	<b>(2,148)</b>
<b>INVESTING ACTIVITIES</b>					
Deposits paid for acquisition of property, plant and equipment		–	–	–	(1,816)
Purchases of property, plant and equipment		(2,547)	(1,182)	(1,166)	(466)
Proceeds from disposals of property, plant and equipment		210	–	–	–
Decrease (increase) in amount due from a related company		2	(1)	(3)	129
Repayment from a director		12	2,848	2,485	271
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(2,323)</b>	<b>1,665</b>	<b>1,316</b>	<b>(1,882)</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of obligation under finance lease	22	(318)	(207)	(137)	(142)
Repayment to advance from a director	22	(550)	–	–	–
Dividend paid	22	(6,896)	(4,000)	(4,000)	(6,875)
Interest paid	22	(16)	(15)	(11)	(7)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(7,780)</b>	<b>(4,222)</b>	<b>(4,148)</b>	<b>(7,024)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,667</b>	<b>7,075</b>	<b>6,516</b>	<b>(11,054)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		14,884	17,533	17,533	24,543
EFFECT OF FOREIGN CURRENCY RATE CHANGES		(18)	(65)	(19)	72
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash</b>		<b>17,533</b>	<b>24,543</b>	<b>24,030</b>	<b>13,561</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 January 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus.

In preparation of the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange (the "Listing"), the companies comprising the Group underwent a series of reorganisation as described below (the "Reorganisation"). Prior to the completion of the Reorganisation, the companies now comprising the Group were ultimately controlled by Mr. Chan Wing Chai, Jamson ("Mr. Jamson Chan"), Mr. Chan Tien Kay, Timmy ("Mr. Timmy Chan") and Ms. Au-Yeung Ying Ho ("Ms. AY Ying Ho") (collectively referred to as the "Controlling Shareholders"). Mr. Timmy Chan is the son of Mr. Jamson Chan and Ms. AY Ying Ho. Each of the Controlling Shareholders has reiterated their agreement in writing that, in respect of the arrival and/or execution of all decisions, including but not limited to financial, management and operational matters of the Group's subsidiaries, they have always been acting in concert.

- (i) Causeway Treasure Holding Limited ("Causeway Treasure") was incorporated with limited liability on 24 May 2017 in British Virgin Island (the "BVI"). Causeway Treasure, on incorporation, was authorised to issue 50,000 ordinary shares of a single class without par value. On the same day, 4,725 shares, 4,725 shares, and 550 shares, were allotted, issued and credited as fully-paid to each of Mr. Jamson Chan, Mr. Timmy Chan and Ms. AY Ying Ho, respectively.
- (ii) At the time of its incorporation, the Company had an authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. Upon incorporation, one share was issued and allotted to the initial subscriber for cash at par, which was then transferred to Mr. Timmy Chan.
- (iii) Max Sight (BVI) Limited ("Max Sight (BVI)") was incorporated with limited liability in BVI on 27 January 2017. At the time of its incorporation, Max Sight (BVI) was authorised to issue 50,000 ordinary shares of a single class without par value. On the same day, one share was allotted, issued and credited as fully-paid to the Company. Max Sight (BVI) became a wholly owned subsidiary of the Company.
- (iv) Treasure Star (China) Holding Limited ("Treasure Star (China)") was incorporated with limited liability in BVI on 27 January 2017. At the time of its incorporation, Treasure Star (China) was authorised to issue 50,000 ordinary shares of a single class without par value. On the same day, one share was allotted, issued and credited as fully-paid to the Company. Treasure Star (China) became a wholly owned subsidiary of the Company.
- (v) On 6 July 2017, Max Sight (BVI) acquired the entire issued share capital of Max Sight Limited ("Max Sight") from Mr. Jamson Chan, Mr. Jamson Chan and Ms. AY Ying Ho as joint holders, Mr. Cheung Kam Ting ("Mr. Cheung") and Photo-Me International Plc. ("Photo-Me") by issuing and allotting 262,665 shares of the Company to Causeway Treasure, 104,044 shares of the Company to Mr. Cheung and 183,286 shares of the Company to Photo-Me, credited as fully paid, respectively.

Upon completion of this step, Max Sight (BVI) indirectly wholly-owns Guangzhou Max Sight Photo-Me Co. Ltd. ("GZ Max Sight") through Max Sight.

- (vi) On 6 July 2017, Max Sight (BVI) acquired the entire issued share capital of MV Asset Management Limited ("MV Asset") from Mr. Jamson Chan and Max Sight Holdings Limited ("Max Sight Holdings") by issuing and allotting 2 shares of the Company, credited as fully paid, to Causeway Treasure.
- (vii) On 6 July 2017, Max Sight (BVI) acquired the entire issued share capital of Fullwise International Limited ("Fullwise") from Max Sight Holdings, Photo-Me and Big Star Properties Limited ("Big Star"), a company was owned as to 50% by Mr. Timmy Chan and 50% by Ms. AY Ying Ho by issuing and allotting 1 share of the Company, 1 share of the Company and 1 share of the Company, credited as fully paid, to Mr. Cheung, Causeway Treasure and Photo-Me, respectively.

- (viii) On 6 July 2017, Treasure Star (China) acquired the entire issued share capital of Treasure Star (China) Limited (“Treasure Star”) from Mr. Timmy Chan by issuing and allotting 449,997 shares of the Company, credited as fully paid, to Causeway Treasure.
- (ix) On 6 July 2017, Treasure Star (China) acquired the entire issued share capital of Max Sight International Limited (“Max Sight International”) from Mr. Timmy Chan and Kwide Foong Limited, a company indirectly wholly-owned by Mr. Timmy Chan, by issuing and allotting 2 shares of the Company, credited as fully paid, to Causeway Treasure.

Upon the completion of the above steps, Causeway Treasure, Photo-Me and Mr. Cheung, held equity interest of the Company as to 71.27%, 18.33% and 10.40% respectively.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 6 July 2017. As the Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the two years ended 31 December 2016 and eight months ended 31 August 2017 (the “Relevant Periods”) or since their respective dates of incorporation, where there is a shorter period, and before and after the Reorganisation, as a result, the Group resulting from the Reorganisation is regarded as a continuing entity.

Accordingly, the Historical Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting For Common Control Combinations” issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Relevant Periods have been prepared to present the results and cash flows of the companies comprising the Group as if the group structure upon the completion of the Reorganisation had been in existence throughout the Relevant Periods or since their respective dates of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

Non-controlling interests comprise of Mr. Cheung’s interests in Max Sight, Fullwise and MV Asset and Photo-Me’s interests in Max Sight and Fullwise.

The Historical Financial Information is presented in HK\$, which is also the functional currency of the Company.

No statutory financial statement of the Company has been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 January 2017 throughout the Relevant Periods.

At the date of this report, HKICPA has issued the following new and amendments to HKFRSs that are not yet effective. The Group has not early adopted these new and amendments to HKFRSs.

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance contracts <sup>4</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts <sup>3</sup>
Amendments to HKFRS 9	Prepayment features with negative compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 40	Transfer of investment property <sup>1</sup>
Amendments to HKAS 28	Long-term interests in associates and joint ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual improvements to HKFRSs 2014 – 2016 cycle <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 Cycle <sup>2</sup>
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over income tax treatment <sup>2</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.
- <sup>3</sup> Effective for annual periods beginning on or after a date to be determined.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

#### **HKFRS 9 “Financial instruments”**

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group:–

- in relation to all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 31 August 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Debt instruments classified as trade and other receivables and bank balances carried at amortised cost, these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. The directors of the Company do not anticipate that the application of HKFRS 9 will have material impact on the Group’s financial assets.

#### **HKFRS 15 Revenue from contracts with customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation



Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

### **HKFRS 16 Leases**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As set out in note 25, total operating lease commitment of the Group in respect of leased premises as at 31 August 2017 is amounted to HK\$17,431,000. Upon the adoption of HKFRS 16, the directors of the Company expect that the commitments in the future in respect of leased premises with the terms more than twelve months will be required to be recognised in the financial statements of the Group in the future as right-of-use assets and lease liabilities and the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results. In addition, the Group currently considers refundable rental deposits paid of HK\$2,133,000 as at 31 August 2017 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments. Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's future financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

#### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Merger accounting for business combination involving entities under common control**

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

**Investment in subsidiaries**

Investment in subsidiaries is included in the Company's statement of financial position at cost less any identified impairment losses.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Impairment loss on assets other than financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Financial instruments**

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Financial assets*

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from a related company and a director and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be insignificant.

#### *Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

***Financial liabilities and equity instruments****Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

*Financial liabilities*

The Group's financial liabilities including trade payables, other payables, dividend payables and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

The Company's financial liabilities, including other payables and amounts due to subsidiaries are subsequently measured at amortised cost, using the effective interest method.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Retirement benefits costs**

Payments to the state-managed retirement benefit schemes for staff in the People's Republic of China (the "PRC"), excluding Hong Kong and Macau, and to the Mandatory Provident Fund Scheme for staff in Hong Kong are defined contribution retirement benefit payments and are recognised as expense when employees have rendered service entitling them to the contributions.

***Short-term and other long-term employee benefits***

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by the employees up to each of the reporting period.

**Taxation**

Taxation represents the sum of the income tax expense currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

***Deferred tax***

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the functional currency of the Company, which is also the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company 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 key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

**Depreciation**

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives as set out in note 13 commencing from the date the items of property, plant and equipment are put into their intended use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment. The Group assesses the residual value and useful lives of the property, plant and equipment on a regular basis and if the expectation differs from the original estimate, such difference will affect the depreciation charge in the year/period in which such estimate has been changed.

**5. REVENUE AND SEGMENTAL INFORMATION**

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

**Segment information**

The Group's operations is solely derived from sales of photos in Hong Kong and Guangdong Province, PRC during the Relevant Periods. For the purposes of resources allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) (the "CODM") reviews the overall results and financial position of the Group as a whole which prepared based on the same accounting policies as set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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



**Geographical information**

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

	Revenue				Non-current assets		
	Year ended 31 December		Eight months ended 31 August		As at 31 December		As at 31 August
	2015	2016	2016	2017	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>				
Hong Kong	44,099	41,725	28,865	27,931	936	1,492	1,492
Guangdong Province	5,654	5,728	3,934	3,864	2,103	1,519	1,297
	<u>49,753</u>	<u>47,453</u>	<u>32,799</u>	<u>31,795</u>	<u>3,039</u>	<u>3,011</u>	<u>2,789</u>

During the Relevant Periods, no single customer accounted for 10% or more of the Group's total revenue.

**6. OTHER INCOME AND OTHER GAINS AND LOSSES, NET****Other income**

	Year ended 31 December		Eight months ended 31 August	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Interest income	<u>5</u>	<u>7</u>	<u>4</u>	<u>5</u>

**Other gains and losses, net**

	Year ended 31 December		Eight months ended 31 August	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Gain (loss) on disposal of property, plant and equipment	210	(21)	(21)	–
Net exchange (loss) gain	(38)	(120)	(59)	54
Others	<u>(1)</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>171</u>	<u>(141)</u>	<u>(80)</u>	<u>54</u>

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

## (a) Directors' and chief executive's emoluments

Mr. Timmy Chan, Mr. Jamson Chan, Mr. Wu Siu Tong ("Mr. Wu"), Mr. Cheung and Mr. Riccardo Costi ("Mr. Costi") were appointed as directors of the Company on 26 January 2017. The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by the entities comprising the Group during the Relevant Periods as:

	Executive directors		Non-executive directors			Total HK\$'000
	Mr. Timmy Chan HK\$'000	Mr. Jamson Chan HK\$'000	Mr. Wu HK\$'000	Mr. Cheung HK\$'000	Mr. Costi HK\$'000	
<u>Year ended 31 December 2015</u>						
Fees	1,000	200	–	–	–	1,200
Other emoluments						
Salaries	248	9	–	–	–	257
Bonus ( <i>Note</i> )	80	1,003	–	–	–	1,083
Retirement benefit scheme contributions	25	75	–	–	–	100
Allowance and other benefits	–	70	5	–	–	75
Total emoluments	<u>1,353</u>	<u>1,357</u>	<u>5</u>	<u>–</u>	<u>–</u>	<u>2,715</u>
<u>Year ended 31 December 2016</u>						
Fees	1,000	200	–	–	–	1,200
Other emoluments						
Salaries	258	9	–	–	–	267
Bonus ( <i>Note</i> )	35	404	–	–	–	439
Retirement benefit scheme contributions	28	84	–	–	–	112
Allowance and other benefits	–	66	69	–	–	135
Total emoluments	<u>1,321</u>	<u>763</u>	<u>69</u>	<u>–</u>	<u>–</u>	<u>2,153</u>
<u>Eight months ended 31 August 2016</u> <i>(unaudited)</i>						
Fees	667	133	–	–	–	800
Other emoluments						
Salaries	172	6	–	–	–	178
Bonus ( <i>Note</i> )	22	269	–	–	–	291
Retirement benefit scheme contributions	17	74	–	–	–	91
Allowance and other benefits	–	45	23	–	–	68
Total emoluments	<u>878</u>	<u>527</u>	<u>23</u>	<u>–</u>	<u>–</u>	<u>1,428</u>
<u>Eight months ended 31 August 2017</u>						
Fees	667	133	–	–	–	800
Other emoluments						
Salaries	173	167	–	–	–	340
Bonus ( <i>Note</i> )	3	33	–	–	–	36
Retirement benefit scheme contributions	19	60	–	–	–	79
Allowance and other benefits	–	44	355	–	–	399
Total emoluments	<u>862</u>	<u>437</u>	<u>355</u>	<u>–</u>	<u>–</u>	<u>1,654</u>

*Note:* Director's bonus is granted based on profit before tax of Max Sight for the year/period.

The emoluments of executive directors were for their services in connection with management of the affairs of the Company and the Group.

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any remuneration during the Relevant Periods.

**(b) Employees' emoluments**

The five highest paid individuals included two, two, two (unaudited) and three directors of the Company whose emoluments are included in the disclosures in (a) above for the years ended 31 December 2015 and 2016 and each of the eight months ended 31 August 2016 and 2017. The emoluments of the remaining three, three, three (unaudited) and two individuals for the years ended 31 December 2015 and 2016 and each of the eight months ended 31 August 2016 and 2017, respectively were as follows:

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Salaries and other benefits	1,056	1,076	717	775
Bonus ( <i>Note</i> )	153	91	70	4
Retirement benefit scheme contributions	54	66	40	35
	<u>1,263</u>	<u>1,233</u>	<u>827</u>	<u>814</u>

Their emoluments were within the following bands:

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>

*Note:* Discretionary bonus is granted based on profit before tax of Max Sight for the year/period.

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**8. FINANCE COSTS**

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Interests on finance lease	<u>16</u>	<u>15</u>	<u>11</u>	<u>7</u>

## 9. PROFIT (LOSS) BEFORE TAXATION

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Profit (loss) before taxation has been arrived at after charging:				
Auditor's remuneration	52	200	123	928
Depreciation of property, plant and equipment	1,137	1,088	733	769
Directors' remuneration (note 7)	2,715	2,153	1,428	1,654
Other staff costs				
Salaries and other benefits	5,710	6,257	3,992	3,953
Retirement benefits scheme contributions	316	328	173	223
Total staff costs	8,741	8,738	5,593	5,830
Lease and licensing payments under operating leases in respect of land and buildings				
– Minimum lease payment	8,169	8,275	5,511	6,055
– Contingent rent	15,512	13,917	9,985	8,658
Total lease and licensing payments	23,681	22,192	15,496	14,713
Cost of inventories recognised as an expense	1,218	1,092	806	774

## 10. INCOME TAX EXPENSE

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Hong Kong Profits Tax:				
– Current tax	1,665	1,530	1,037	1,212
– Overprovision in prior years	(40)	–	–	(40)
	1,625	1,530	1,037	1,172
PRC Enterprise Income Tax:				
– Current tax	424	486	339	295
– Underprovision in prior years	28	–	–	20
	452	486	339	315
Deferred tax (credit) expense (note 23)	(57)	60	81	(1)
	2,020	2,076	1,457	1,486

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

The taxation charge of the PRC Enterprise Income Tax for the Relevant Periods has been made based on the Group's estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the subsidiary in the PRC.

The tax charge for the Relevant Periods can be reconciled to the profit (loss) before taxation as follows:

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Profit (loss) before taxation	<u>11,658</u>	<u>11,076</u>	<u>7,971</u>	<u>(1,504)</u>
Tax at the domestic income tax rate of 16.5%	1,924	1,828	1,315	(248)
Tax effect of income not taxable for tax purpose	(35)	(1)	(1)	(1)
Tax effect of expenses not deductible for tax purpose	53	84	28	1,654
Overprovision in prior years	(12)	–	–	(20)
Effect of different tax rate of subsidiary operating in other jurisdiction	144	165	115	101
Others	<u>(54)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Tax charge for the year/period	<u>2,020</u>	<u>2,076</u>	<u>1,457</u>	<u>1,486</u>

#### 11. DIVIDEND

Dividends declared and paid by the Group during the Relevant Periods were as follows:

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Max Sight	3,500	4,000	4,000	4,000
MV Asset	450	–	–	125
Treasure Star	–	–	–	2,750

During the eight months ended 31 August 2017, Max Sight and Treasure Star declared dividends of HK\$8,600,000 and HK\$2,200,000, respectively, and presented as dividend payable as at 31 August 2017.

Other than disclosed above, no dividend was paid or declared by any group entity during the Relevant Periods.

## 12. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the following data:

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Earnings (loss):				
Earnings (loss) for the purpose of calculating basic earnings (loss) per share (profit (loss) for the year/period attributable to owners of the Company)	<u>5,969</u>	<u>5,976</u>	<u>4,305</u>	<u>(4,643)</u>
	'000	'000	'000	'000
Number of shares:				
Number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>427,601</u>	<u>427,601</u>	<u>427,601</u>	<u>468,040<sup>(note)</sup></u>

*Note:* For the period from 1 January 2015 to 5 July 2017, the date prior to the completion of Reorganisation, the weighted average number of shares calculated solely represents the interests of Controlling Shareholders in the Group.

As the Reorganisation was completed on 6 July 2017, the shares of the Company held by Mr. Cheung and Photo-me and the Controlling Shareholders are included in the determination of weighted average of number of shares during the eight months ended 31 August 2017.

The number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in Appendix IV to the Prospectus has been effective on 1 January 2015.

No diluted earnings (loss) per share for the Relevant Periods was presented as there were no potential ordinary shares in issue during the Relevant Periods.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Computer software HK\$'000	Computer equipment HK\$'000	Office equipment HK\$'000	Furniture and fixture HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>							
As at 1 January 2015	948	173	147	727	5,851	1,197	9,043
Exchange realignment	–	–	–	–	(75)	–	(75)
Additions	–	–	–	–	2,547	849	3,396
Disposals	–	–	–	–	–	(635)	(635)
As at 31 December 2015	948	173	147	727	8,323	1,411	11,729
Exchange realignment	–	–	–	–	(142)	–	(142)
Additions	–	–	–	18	1,164	–	1,182
Disposals	–	–	–	(94)	(1,015)	–	(1,109)
As at 31 December 2016	948	173	147	651	8,330	1,411	11,660
Exchange realignment	–	–	1	–	154	–	155
Additions	2	9	14	88	353	–	466
As at 31 August 2017	950	182	162	739	8,837	1,411	12,281
<b>ACCUMULATED DEPRECIATION</b>							
As at 1 January 2015	(695)	(133)	(147)	(666)	(5,368)	(1,197)	(8,206)
Exchange realignment	–	–	–	–	18	–	18
Provided	(222)	(40)	–	(26)	(613)	(236)	(1,137)
Eliminated on disposals	–	–	–	–	–	635	635
As at 31 December 2015	(917)	(173)	(147)	(692)	(5,963)	(798)	(8,690)
Exchange realignment	–	–	–	–	41	–	41
Provided	(31)	–	–	(14)	(760)	(283)	(1,088)
Eliminated on disposals	–	–	–	73	1,015	–	1,088
As at 31 December 2016	(948)	(173)	(147)	(633)	(5,667)	(1,081)	(8,649)
Exchange realignment	–	–	–	–	(74)	–	(74)
Provided	–	(1)	(2)	(41)	(560)	(165)	(769)
As at 31 August 2017	(948)	(174)	(149)	(674)	(6,301)	(1,246)	(9,492)
<b>CARRYING AMOUNTS</b>							
As at 1 January 2015	253	40	–	61	483	–	837
As at 31 December 2015	31	–	–	35	2,360	613	3,039
As at 31 December 2016	–	–	–	18	2,663	330	3,011
As at 31 August 2017	2	8	13	65	2,536	165	2,789

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	20%
Furniture and fixtures	25%
Motor vehicles	33.33%
Office equipment	25%
Computer software	25%
Computer equipment	25%

The net carrying amount of motor vehicles of HK\$613,000, HK\$330,000 and HK\$165,000 as at 31 December 2015, 2016 and 31 August 2017 respectively is being the asset held under finance lease.

#### 14. TRADE RECEIVABLES

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

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
0-20 days	957	684	701

#### 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group			The
	As at 31 December		As at	Company
	2015	2016	31 August	As at
	HK\$'000	HK\$'000	2017	31 August
			HK\$'000	2017
				HK\$'000
Rental and utilities deposits	1,614	2,208	2,133	–
Prepayments	–	1,000	863	826
Other receivables	17	9	71	–
Deferred listing expenses	–	–	2,826	2,826
Deposits for the acquisition of property, plant and equipment	–	–	1,816	–
Total	1,631	3,217	7,709	3,652
Presented as non-current assets	1,267	1,366	3,414	–
Presented as current assets	364	1,851	4,295	3,652
Total	1,631	3,217	7,709	3,652

As at 31 December 2015 and 2016 and 31 August 2017, the balance includes an aggregate amount of nil, nil and HK\$926,000 respectively in relation to the deposits for the acquisition of property, plant and equipment placed to a subsidiary of Photo-Me.



## 16. AMOUNTS DUE FROM (TO) A RELATED COMPANY/A DIRECTOR

## Amounts due from a related company/director

Amounts were non-trade nature, unsecured, interest-free and repayable on demand. The amounts were fully settled subsequent to the Relevant Periods.

Details of amounts due from related companies/a director, which are non-trade nature, are as follows:

Name	As at 31 December		As at 31 August	Year ended 31 December		Maximum amount outstanding Eight months ended 31 August
	2015	2016	2017	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Jamson Chan ( <i>Note i</i> )	3,649	271	–	3,661	3,649	271
Pinnacle Vision Limited ( <i>Note ii</i> )	128	129	–	130	130	129

Notes:

- (i) Mr. Jamson Chan is a director of the Company.
- (ii) Pinnacle Vision Limited is a private company solely owned by Mr. Chan Shiu Kay Ernie, son of Mr. Jamson Chan.

## Amount due to a director

	As at 31 December		As at 31 August
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Amount due to Mr. Timmy Chan	230	230	230

Amount is non-trade nature, unsecured, interest-free and repayable on demand. The amount was fully settled subsequently to the Relevant Periods.

## 17. BANK BALANCES AND CASH

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.01% to 0.02% per annum, 0.01% to 0.02% per annum and 0.01% to 0.02% per annum as at 31 December 2015 and 2016 and 31 August 2017, respectively.

**18. TRADE PAYABLES**

The average credit period for purchases of goods is 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Trade payables:			
0-30 days	27	9	24

As at 31 December 2015 and 2016 and 31 August 2017, the balance includes an aggregate amount of HK\$27,000, HK\$9,000 and HK\$24,000 respectively in relation to the purchase of consumables from subsidiaries of Photo-Me.

**19. OTHER PAYABLES AND ACCRUED CHARGES**

	The Group			The
	As at 31 December		As at	Company
	2015	2016	31 August	As at
	HK\$'000	HK\$'000	2017	31 August
			HK\$'000	2017
				HK\$'000
Accrued expenses	49	310	295	–
Accrued listing expenses	–	–	1,874	1,874
Salaries payables and provision for bonus	1,538	1,260	1,130	–
Machine license fee payable	533	504	536	–
Photo validation fee payable	38	78	133	–
Other lease and license fee payables	422	891	664	–
Other payables	185	41	9	–
Other tax payables	21	37	33	–
	<u>2,786</u>	<u>3,121</u>	<u>4,674</u>	<u>1,874</u>

As at 31 December 2015 and 2016 and 31 August 2017, the balance includes an aggregate amount of HK\$158,000, nil and nil respectively in relation to the reimbursement of research and development expenses to a subsidiary of Photo-Me.

**20. AMOUNTS DUE TO SUBSIDIARIES**

The amounts are non-trade nature, unsecured, non-interest bearing and repayable on demand.

## 21. OBLIGATION UNDER FINANCE LEASE

The Group has leased certain of its motor vehicles under finance lease for a lease term of three years. Interest rate underlying the obligation under finance lease is fixed at the contract date of 3.08% as at 31 December 2015 and 2016 and 31 August 2017 per annum.

	Minimum lease payments			Present value of minimum lease payments		
	As at			As at		
	As at 31 December 2015	31 August 2016	31 August 2017	As at 31 December 2015	31 August 2016	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Obligation under finance lease payable:						
Within one year	223	223	221	207	214	218
Within a period of more than one year but not more than two years	223	186	39	214	183	37
Within a period of more than two years but not more than five years	186	–	–	183	–	–
	632	409	260	604	397	255
Less: Future finance charges	(28)	(12)	(5)	N/A	N/A	N/A
Present value of lease obligation	<u>604</u>	<u>397</u>	<u>255</u>	604	397	255
Less: Amount due from settlement within twelve months (shown under current liabilities)				(207)	(214)	(218)
Amount due for settlement after twelve months				<u>397</u>	<u>183</u>	<u>37</u>



**23. DEFERRED TAXATION**

The following is the major deferred tax liabilities recognised and movements during the Relevant Periods.

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>
At 1 January 2015	153
Credit to profit or loss ( <i>note 10</i> )	<u>(57)</u>
At 31 December 2015	96
Charge to profit or loss ( <i>note 10</i> )	<u>60</u>
At 31 December 2016	156
Credit to profit or loss ( <i>note 10</i> )	<u>(1)</u>
At 31 August 2017	<u><u>155</u></u>

Under the EIT Law of PRC withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$1,095,000, HK\$2,308,000 and HK\$2,719,000 as at 31 December 2015 and 2016 and 31 August 2017 respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

**24. ISSUED SHARE CAPITAL**

The share capital of the Group at 31 December 2015 and 2016 represent the aggregate share capital of Fullwise, Max Sight, Max Sight International, MV Asset and Treasure Star attributable to the Controlling Shareholders prior to the Reorganisation.

The share capital of the Group at 31 August 2017 represents the share capital of the Company.

**The Company**

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary share of HK\$0.01 each		
Authorised:		
At 26 January 2017 (date of incorporation)	<u>38,000,000</u>	<u>380</u>
Issued and fully paid:		
At 26 January 2017 (date of incorporation)	1	–
Issue of shares upon reorganisation	<u>999,999</u>	<u>10</u>
At 31 August 2017	<u><u>1,000,000</u></u>	<u><u>10</u></u>

## 25. COMMITMENTS

## (a) Operating lease commitments

## The Group as lessee

The Group leases various outlets and offices under non-cancellable operating lease/licensing agreements. The lease terms are between 2-5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

As at the end of each reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases/licensing which fall due as follows:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Land and buildings			
Within one year	7,379	3,791	9,027
In the second to fifth year inclusive	4,766	4,516	8,404
	<u>12,145</u>	<u>8,307</u>	<u>17,431</u>

The operating lease rentals of certain photo booths are based solely on the sales of those photo booths or on the higher of a fixed rental and contingent rent based on the sales of those photo booths. In the opinion of the directors, as the future sales of those photo booths could not be accurately estimated, the relevant rental commitments have not been included above.

## (b) Capital Commitment

	The Group		As at
	As at 31 December		31 August
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of addition of property, plant and equipment:			
– contracted for but not provided in the consolidated financial statements	–	–	4,297
	<u>–</u>	<u>–</u>	<u>4,297</u>

## 26. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Relevant Periods:

- (a) Various subsidiaries of Photo-Me

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 <i>(unaudited)</i>	2017 HK\$'000
Machine leasing fee	300	162	125	73
Purchase of consumables	1,079	1,332	590	579
Purchase of machineries	–	1,164	1,164	353
Purchase of spare parts	43	25	12	17
Research and development expense	162	–	–	–
(b) Rental expenses paid to Big Star and a company owned by Mr. Cheung	604	604	403	403
(c) Technical support fee paid to Pinnacle Vision Limited	180	180	120	–
(d) Salaries and other benefits paid to Ms. AY Ying Ho	356	341	227	488

Details of the balances with directors and related companies at the end of each reporting period are disclosed in the consolidated statements of financial position, consolidated statement of cash flows and notes 11, 15, 16, 18, 19 and 20 to the Historical Financial Information.

During the Relevant Periods, Mr. Jamson Chan provided HK\$130,000 personal guarantees to a bank for a corporate credit card issued to the Group. The guarantees provided by Mr. Jamson Chan was released on 20 May 2017.

The remuneration of directors and other members of key management during the years ended 31 December 2015 and 2016 and eight months ended 31 August 2016 and 2017 were as follows:

	Year ended 31 December		Eight months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 <i>(unaudited)</i>	2017 HK\$'000
Short-term benefits	3,756	3,149	2,085	2,273
Post-employment benefits	160	185	135	130
	3,916	3,334	2,220	2,403

## 27. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The employees of the subsidiary in the PRC are members of a state-managed retirement benefits schemes operated by the PRC government. The relevant PRC subsidiary is required to contribute a specified percentage of payroll costs to the retirement scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The retirement benefits schemes contributions charged to the consolidated statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in notes 7 and 9.

## 28. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company in Hong Kong), the particulars of which are as follows:

Name	Place and date of incorporation	Place of operation	Attributable equity interest of the Group as at			date of this report	Principal activities
			31 December 2015	31 August 2016	31 August 2017		
Max Sight (BVI) (Note (a))	BVI 27 January 2017	Hong Kong	N/A	N/A	100%	100%	Investment holding
Treasure Star (China) (Note (a))	BVI 27 January 2017	Hong Kong	N/A	N/A	100%	100%	Investment holding
Max Sight (Note (c), (e) and (g))	Hong Kong 24 February 1989	Hong Kong	47.8%*	47.8%*	100%	100%	Provision of photography services by supplying identity ("ID") photo booths
MV Asset (Note (f))	Hong Kong 5 June 1998	Hong Kong	87.4%*	87.4%*	100%	100%	Provision of photography services by supplying ID photo booths
Treasure Star (Note (b))	Hong Kong 17 December 2009	Hong Kong	100%	100%	100%	100%	Provision of photography services by supplying ID photo booths
Max Sight International (Note (h))	Hong Kong 21 March 1992	Hong Kong	100%	100%	100%	100%	Holding of licensing agreements



Name	Place and date of incorporation	Place of operation	Attributable equity interest of the Group as at			date of this report	Principal activities
			31 December 2015	31 August 2016	31 August 2017		
GZ Max Sight (Note (d) and (g))	PRC 1 August 2005	PRC	47.8%*	47.8%*	100%	100%	Provision of photography services by supplying ID photo booths
Fullwise (Note (b))	Hong Kong 12 March 1999	Hong Kong	52.2%*	52.2%*	100%	100%	Holding of licensing agreement

The financial year end of the above subsidiaries were 31 December of each year during the Relevant Periods, except for Max Sight which financial year end was 30 April of each year.

\* As at 31 December 2015 and 2016, amounts being 47.8%, 87.4% and 52.2% equity interest in Max Sight, MV Asset and Fullwise owned by the Controlling Shareholders respectively.

*Notes:*

- (a) No statutory accounts have been prepared as these companies are newly incorporated.
- (b) The statutory financial statements of this entity for the year ended 31 December 2015 and 2016 prepared in accordance with HKFRSs for private entities were audited by Chan Fan & Co..
- (c) The statutory financial statements of Max Sight for the year ended 30 April 2017 has not yet been due to issue.
- (d) The statutory financial statements of the entity for the year ended 31 December 2015 and 2016 prepared in accordance with PRC GAAP for small-size enterprises were audited by 廣東金五羊會計師事務所有限公司.
- (e) The financial statements of the entity for the year ended 30 April 2016 prepared, in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by HKICPA ("SME-FRS") were audited by us.
- (f) The statutory financial statements of the entity for the year ended 31 December 2015 and 2016 prepared in accordance with SME-FRS were audited by Fung Yu & Co. CPA Limited and Chan Fan & Co. respectively.
- (g) Pursuant to a deed of trust, 18.9% of equity interest of Max Sight is held on trust by Mr. Jamson Chan for the benefit of Mr. Cheung. Pursuant to which, Mr. Jamson Chan exercised all of the rights, powers and discretions available to him as a trustee of Mr. Cheung including (without limitation) exercising Mr. Cheung's voting rights as a shareholder at any meeting of the shareholders and as a director at any meeting of the board of directors of the Company in his absolute discretion.

Hence, in the opinion of the directors of the Company, the Controlling Shareholders control Max Sight with their 66.7% voting rights in Max Sight.

GZ Max Sight is a wholly-owned subsidiary of Max Sight.

- (h) The statutory financial statements of the entity for year ended 31 December 2015 and 2016 prepared in accordance with SME-FRS were audited by Chan Fan & Co..

**Details of non-wholly owned subsidiaries that have material non-controlling interests**

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests				Profit (loss) allocated to non-controlling interests				Accumulated non-controlling interests		
		31 December 2015	31 December 2016	31 August 2016	31 August 2017	Year ended 31 December		Eight months ended 31 August		31 December 2015	31 December 2016	31 August 2017
						HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Max Sight Individually immaterial subsidiaries with non-controlling interests	Hong Kong	52.2%	52.2%	52.2%	-	3,663	3,024	2,205	1,722	9,607	10,471	-
	Hong Kong	N/A	N/A	N/A	N/A	6	-	4	(69)	476	476	-
						<u>3,669</u>	<u>3,024</u>	<u>2,209</u>	<u>1,653</u>	<u>10,083</u>	<u>10,947</u>	<u>-</u>

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below.

The summarised financial information below represents amounts before intragroup eliminations.

**Max Sight and its subsidiary**

	As at 31 December		As at 31 August	
	2015	2016	2016	2017
Current assets	19,659	20,972		N/A
Non-current assets	4,103	4,288		N/A
Current liabilities	(4,932)	(4,887)		N/A
Non-current liabilities	(439)	(314)		N/A
Equity attributable to owners of the Company	8,784	9,588		N/A
Non-controlling interests	9,607	10,471		N/A
			Eight months ended 31 August	
	Year ended 31 December		31 August	
	2015	2016	2016	2017
			<i>(unaudited)</i>	
Revenue	<u>27,240</u>	<u>26,119</u>	<u>17,897</u>	<u>19,491</u>
Cost of sales	<u>(13,624)</u>	<u>(13,567)</u>	<u>(9,238)</u>	<u>(9,652)</u>
Other income	<u>1,573</u>	<u>1,740</u>	<u>1,209</u>	<u>502</u>
Other gains and losses, net	<u>171</u>	<u>(141)</u>	<u>(73)</u>	<u>39</u>
Expenses	<u>(8,341)</u>	<u>(8,358)</u>	<u>(5,570)</u>	<u>(5,782)</u>
Profit for the year/period	<u>7,019</u>	<u>5,793</u>	<u>4,225</u>	<u>4,598</u>

	Year ended 31 December		Eight months ended 31 August	
	2015	2016	2016 <i>(unaudited)</i>	2017
Profit attributable to owners of the Company	3,356	2,769	2,020	2,876
Profit attributable to non-controlling interests of Max Sight	<u>3,663</u>	<u>3,024</u>	<u>2,205</u>	<u>1,722</u>
Profit for the year/period	<u><u>7,019</u></u>	<u><u>5,793</u></u>	<u><u>4,225</u></u>	<u><u>4,598</u></u>
Other comprehensive (expense) income attributable to owners of the Company	(37)	(65)	(17)	154
Other comprehensive expense attributable to the non-controlling interests of Max Sight	<u>(40)</u>	<u>(71)</u>	<u>(18)</u>	<u>52</u>
Other comprehensive (expense) income for the year/period	<u><u>(77)</u></u>	<u><u>(136)</u></u>	<u><u>(35)</u></u>	<u><u>206</u></u>
Dividend declared to non-controlling interests of Max Sight	<u>1,828</u>	<u>2,089</u>	<u>2,089</u>	<u>6,582</u>
Net cash inflow from operating activities	<u><u>10,053</u></u>	<u><u>5,553</u></u>	<u><u>4,702</u></u>	<u><u>4,341</u></u>
Net cash inflow (outflow) from investing activities	<u><u>(1,879)</u></u>	<u><u>1,860</u></u>	<u><u>2,873</u></u>	<u><u>(11,024)</u></u>
Net cash (outflow) inflow from financing activities	<u><u>(3,931)</u></u>	<u><u>(4,217)</u></u>	<u><u>(2,815)</u></u>	<u><u>(4,162)</u></u>
Net cash inflow (outflow)	<u><u>4,243</u></u>	<u><u>(3,196)</u></u>	<u><u>4,760</u></u>	<u><u>(10,845)</u></u>

Upon the completion of Reorganisation, all subsidiaries of the Company have become wholly-owned by the Company.

## 29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes amount due to a director and obligation under finance lease as disclosed in notes 16 and 21, and equity of the Group, comprising issued share capital, other reserves and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings.

## 30. FINANCIAL INSTRUMENTS

## Categories of financial instruments

	The Group			The Company
	As at 31 December		As at	As at
	2015	2016	31 August	31 August
	HK\$'000	HK\$'000	2017	2017
			HK\$'000	HK\$'000
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	23,898	27,844	16,466	–
<b>Financial liabilities</b>				
Amortised cost	1,484	2,063	14,565	13,407

## Financial risk management objectives and policies

The Group's and the Company's financial instruments include trade receivables, other receivables and deposits, amounts due from a related company and a director, bank balances and cash, trade payables, other payables and accruals, dividend payables and amounts due to a director and subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## Currency risk

Certain bank balances and cash and trade payables of the Group are denominated in foreign currencies of respective group entities, i.e. Renminbi ("RMB"), British Pound ("GBP"), Euro ("EUR"), United States Dollars ("US\$") and Japanese Yen ("JPY"). The carrying amounts of the Group's bank balances and cash and trade payables denominated in foreign currencies at the end of each reporting period are as follows:

	Bank balances and cash			Trade payables		
	As at 31 December		As at	As at 31 December		As at
	2015	2016	31 August	2015	2016	31 August
	HK\$'000	HK\$'000	2017	2015	2016	2017
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	260	244	259	–	–	–
GBP	3	3	3	–	–	–
EUR	191	173	198	–	–	–
US\$	2	2	2	–	–	–
JPY	–	–	–	4	–	–

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

***Currency risk***

Since the exchange rate of HK\$ is pegged to US\$, the Group does not expect significant movement in the US\$/HK\$ exchange rate, therefore US\$ is not considered in the sensitivity analysis.

Sensitivity analysis is prepared to demonstrate the effect of foreign exchange differences by 10% change in exchange rate of HK\$ against the relevant foreign currencies of respective group entities, assuming all other variables were held constant. A positive number below indicates an increase in post-tax profit where HK\$ weakening 10% against the relevant foreign currencies of respective group entities. For a 10% strengthen of the HK\$ against the relevant foreign currencies of respective group entities, there would be an equal and opposite impact on the results for the year/period.

	Year ended 31 December		Eight months ended
	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000
Increase/decrease in profit/loss for the year/period	38	35	38

***Interest rate risk***

The Group is exposed to cash flow interest rate risk in bank balances (note 17) as at 31 December 2015 and 2016 and 31 August 2017.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

***Sensitivity analysis***

In the opinion of management of the Group, the expected change in interest rate will not have significant impact on the interest income or expenses on payments for bank balances, hence sensitivity analysis is not presented.

***Credit risk***

The Group's credit risk is primarily attributable to trade receivables, amounts due from a related company and a director and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of the reporting period.

Management of the Group adopted a policy on providing credit facilities to new lessors. Management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2015 and 2016 and 31 August 2017, the Group has significant concentration of credit risk in respect of trade receivable from one lessor of HK\$957,000, HK\$684,000 and HK\$701,000 respectively, amount due from a related company of HK\$128,000, HK\$129,000 and nil respectively and amount due from a director of HK\$3,649,000, HK\$271,000 and nil respectively. In order to minimise the credit risk, the Group's management continuously monitors the settlement status and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Under such circumstances, the Group's management considers that the Group's credit risk is not material.

The credit risk for bank balances is considered as not material as such amount is placed in banks with good reputation.

**Liquidity risk**

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Weighted average effective interest rate %	On demand HK\$'000	1-6 months HK\$'000	7-12 months HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<u>As at 31 December 2015</u>							
The Group							
<b>Non-derivative financial liabilities</b>							
Trade payables	N/A	–	27	–	–	27	27
Other payables	N/A	1,227	–	–	–	1,227	1,227
Amount due to a director	N/A	230	–	–	–	230	230
Obligation under finance lease	3.08	–	111	112	409	632	604
		<u>1,457</u>	<u>138</u>	<u>112</u>	<u>409</u>	<u>2,116</u>	<u>2,088</u>
<u>As at 31 December 2016</u>							
The Group							
<b>Non-derivative financial liabilities</b>							
Trade payables	N/A	–	9	–	–	9	9
Other payables	N/A	1,824	–	–	–	1,824	1,824
Amount due to a director	N/A	230	–	–	–	230	230
Obligation under finance lease	3.08	–	111	112	186	409	397
		<u>2,054</u>	<u>120</u>	<u>112</u>	<u>186</u>	<u>2,472</u>	<u>2,460</u>
<u>As at 31 August 2017</u>							
The Group							
<b>Non-derivative financial liabilities</b>							
Trade payables	N/A	–	24	–	–	24	24
Other payables	N/A	3,511	–	–	–	3,511	3,511
Amount due to a director	N/A	230	–	–	–	230	230
Dividend payables	N/A	10,800	–	–	–	10,800	10,800
Obligation under finance lease	3.08	–	110	111	39	260	255
		<u>14,541</u>	<u>134</u>	<u>111</u>	<u>39</u>	<u>14,825</u>	<u>14,820</u>
<u>As at 31 August 2017</u>							
The Company							
<b>Non-derivative financial liabilities</b>							
Other payables	N/A	1,874	–	–	–	1,874	1,874
Amounts due to subsidiaries	N/A	11,533	–	–	–	11,533	11,533
		<u>13,407</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,407</u>	<u>13,407</u>

**Fair value of financial instruments**

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

**31. RESERVE OF THE COMPANY**

	Other reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 26 January 2017 (date of incorporation)	–	–	–
Loss for the period	–	(9,755)	(9,755)
Reserve arising from Reorganisation	14,163	–	14,163
	<u>14,163</u>	<u>–</u>	<u>14,163</u>
At 31 August 2017	<u>14,163</u>	<u>(9,755)</u>	<u>4,408</u>

**32. MAJOR NON-CASH TRANSACTIONS**

During the year ended 31 December 2015, the Group entered into finance lease arrangement in respect of asset with a carrying amount at the inception of the lease of HK\$849,000.

During the year ended 31 December 2015, MV Asset paid dividend of HK\$450,000 of which HK\$434,000 was settled through the current account with Mr. Jamson Chan.

During the year ended 31 December 2016, the Group settled HK\$530,000 bonus payable to a director through the current account with Mr. Jamson Chan.

**33. DIRECTORS' EMOLUMENTS**

Under the arrangement presently in force, the aggregate amount of the directors' remunerations (excluding discretionary bonus) for the year ended 31 December 2017 is approximately HK\$2,711,000.

**34. SUBSEQUENT EVENTS**

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group are detailed as below.

Pursuant to a written resolution passed by all shareholders of the Company on 8 February 2018, it was resolved, among other things, that:

- (i) The Company has conditionally adopted a share option scheme, the principal terms of which are set out in the section headed "D. Share Option Scheme" in Appendix V to the Prospectus;
- (ii) The authorised share capital of the Company was increased to HK\$50,000,000 divided into 5,000,000,000 shares of the Company of HK\$0.01 each by creation of an additional 4,962,000,000 shares of the Company; and
- (iii) conditional on the share premium account of the Company being credited as a result of the share offer, the directors of the Company were authorised to capitalise HK\$5,990,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 599,000,000 shares for allotment and issue to holders of shares whose names appear on the register of members of the Company at the close of business on 8 February 2018 (or as they may direct) in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in the Company and so that the shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued shares.

**35. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 August 2017.

*The information set out in this appendix does not form part of the accountant's report on the historical financial information of our Group for each of the two years ended 31 December 2016 and the eight months ended 31 August 2017 issued by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants (the "Accountants' Report") as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I in this prospectus.*

**A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the proposed share offer of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Share Offer") on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Share Offer had taken place on 31 August 2017.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 or any future date following the Share Offer.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company is based on the audited consolidated net tangible assets of the Group attributable to owner of the Company as at 31 August 2017 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	<b>Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 HK\$'000 (Note 1)</b>	<b>Estimated net proceeds from the Share Offer HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 per Share HK\$ (Note 3)</b>
Based on Offer Price of HK\$0.30 per Share	6,981	44,239	51,220	0.06
Based on Offer Price of HK\$0.35 per Share	6,981	53,889	60,870	0.08



*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares to be issued at the Offer Price of lower limit and upper limit of HK\$0.30 and HK\$0.35 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred or to be incurred by the Group (excluding listing expenses which have been charged to profit or loss up to 31 August 2017 by the Group). The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 per Share is arrived at after the adjustments referred to in note 2 above and on the basis that 800,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 August 2017 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 to reflect any trading result or other transactions of the Group entered into subsequent to 31 August 2017.

**B. UNAUDITED PRO FORMA ESTIMATED LOSS PER SHARE**

The following unaudited pro forma estimated loss per Share for the year ended 31 December 2017 has been prepared in accordance with Rule 7.31 of the GEM Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Share Offer, as if it had taken place on 1 January 2017. The unaudited pro forma estimated loss per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Share Offer.

Estimated consolidated loss attributable to owners of the Company ( <i>Note 1</i> )	Not more than HK\$4 million
Unaudited pro forma estimated loss per Share for the year ended 31 December 2017 ( <i>Note 2</i> )	Not more than HK\$0.57 cents

*Notes:*

- (1) The bases on which the above loss estimate has been prepared are summarised in Appendix III to this prospectus.
- (2) The calculation of the unaudited pro forma estimated loss per Share is based on the estimated consolidated loss attributable to owners of the Company for the year ended 31 December 2017, assuming a weighted average of 712,147,000 Shares in issue during the entire year and the Share Offer and Capitalisation Issue had been completed on 1 January 2017 without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme. The estimated consolidated loss attributable to owners of the Company for the year ended 31 December 2017 has not taken into account any interest income that would have been earned if the proceeds from the Share Offer had been received by the Company on 1 January 2017.

**C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Max Sight Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Max Sight Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 August 2017 and the unaudited pro forma estimated loss per share for the year ended 31 December 2017 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 15 February 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed share offer of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Share Offer") on the Group's financial position as at 31 August 2017 and the Group's estimated loss per share for the year ended 31 December 2017 as if the Share Offer had taken place at 31 August 2017 and 1 January 2017, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published and information about the estimate of the consolidated loss of the Group attributable to the owners of the Company for the year ended 31 December 2017, on which no auditor's report or review report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM

Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 2017 or 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

15 February 2018

*The estimate of the consolidated loss attributable to the owners of the Company for the year ended 31 December 2017 is set out in the section headed “Financial Information – Loss Estimate for the year ended 31 December 2017” in this prospectus.*

**BASES**

The estimate of the consolidated loss attributable to the owners of the Company for the year ended 31 December 2017 is prepared by the Directors on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarised in Appendix I to this prospectus, and has been prepared based on the audited consolidated financial results of the Group for the eight months ended 31 August 2017 as set out in Appendix I to this prospectus and the unaudited consolidated results based on the management accounts of the Group for the four months ended 31 December 2017.

**LETTERS**

Set out below are texts of letters received by our Directors from (i) Deloitte Touche Tohmatsu, the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, and (ii) the Sole Sponsor prepared for the purpose of incorporation in this prospectus in connection with the estimate of the consolidated loss of our Group attributable to owners of the Company for the year ended 31 December 2017.

**(i) Letter from Deloitte Touche Tohmatsu****Deloitte.****德勤**

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

The Board of Directors  
Max Sight Group Holdings Limited  
14th Floor, McDonald's Building  
48 Yee Wo Street  
Causeway Bay  
Hong Kong

South China Capital Limited  
28th Floor, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

15 February 2018

Dear Sirs,

Max Sight Group Holdings Limited (the "Company")

***Loss Estimate for Year Ended 31 December 2017***

We refer to the estimate of the consolidated loss of the Company and its subsidiaries (collectively referred to as the "Group") attributable to owners of the Company for the year ended 31 December 2017 (the "Loss Estimate") set forth in the section headed "Financial Information" in the prospectus of the Company dated 15 February 2018 ("the Prospectus").

***Directors' Responsibilities***

The Loss Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the eight months ended 31 August 2017 and the unaudited consolidated results based on the management accounts of the Group for the four months ended 31 December 2017.

The Company's directors are solely responsible for the Loss Estimate.

***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Reporting Accountants’ Responsibilities***

Our responsibility is to express an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the directors of the Company have properly compiled the Loss Estimate in accordance with the bases adopted by the directors of the Company and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

***Opinion***

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 15 February 2018, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong



## (ii) Letter from the Sole Sponsor



15 February 2018

The Directors

**Max Sight Group Holdings Limited (“Company”)**

Dear Sirs,

We refer to the estimate of consolidated loss of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) attributable to owners of the Company for the year ended 31 December 2017 (the “**Loss Estimate**”) as set out in the document issued by the Company dated 15 February 2018 (the “**Prospectus**”).

The Loss Estimate, for which the directors of the Company (the “**Directors**”) are solely responsible, has been prepared by the Directors based on (i) the audited consolidated results for the Group for the eight months ended 31 August 2017; and (ii) the unaudited consolidated results based on the management accounts of the Group for the four months ended 31 December 2017.

We have discussed with the Directors the bases and assumptions (the “**Bases and Assumptions**”) as set out in Appendix III to the Document, upon which the Loss Estimate has been made. We have also considered the letter dated 15 February 2018 addressed to you and us from the reporting accountant, Deloitte Touche Tohmatsu, regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and on the bases and assumptions made by the Directors and the accounting policies and calculations adopted by the Directors and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Loss Estimate, for which the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of  
**South China Capital Limited**

**Freda Wong**  
*Head of Investment Banking*

**Janice Chan**  
*Director*

**Colman Chiu**  
*Director*

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 January 2017 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 8 February 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### **(a) Shares**

#### *(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

#### *(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the

holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

***(iv) Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors****(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or



other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.



**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 21 February 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting

of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(q) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "B. Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 26 January 2017. Our registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. We have established a principal place of business in Hong Kong at 14th Floor, McDonald's Building, 48 Yee Wo Street, Causeway Bay, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 20 July 2017. Mr. Timmy Chan has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As a company incorporated in the Cayman Islands, our operations are subject to the Memorandum of Association and the Articles of Association and the Cayman Companies Law. A summary of certain provisions of the Memorandum of Association and the Articles of Association and certain aspects of the Cayman Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in the share capital of our Company**

- (a) As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. Upon incorporation, one Share was issued and allotted to the initial subscriber for cash at par, which was then transferred to Mr. Timmy Chan on the same day.
- (b) On 6 July 2017, Mr. Timmy Chan transferred the one Share to Causeway Treasure at par.
- (c) On 6 July 2017, in consideration of the transfer of the entire issued share capital of Max Sight, MV Asset, Fullwise, Treasure Star and Max Sight International, our Company allotted 712,667 Shares, 183,287 Shares and 104,045 Shares credited as fully paid to Causeway Treasure, Photo-Me and Mr. Cheung, respectively.
- (d) On 8 February 2018, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$50,000,000 by the creation of an additional of 4,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.

- (e) Immediately following completion of the Capitalisation Issue and the Share Offer, excluding the Shares which may be issued upon exercise of the Offer Size Adjustment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options which may be granted under the Share Option Scheme, 800,000,000 Shares will be issued and fully paid or credited as fully paid, and 4,200,000,000 Shares will remain unissued.
- (f) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “ – 3. Written resolutions of our Shareholders passed on 8 February 2018” in this appendix, the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

### **3. Written resolutions of our Shareholders passed on 8 February 2018**

Pursuant to the written resolutions passed by our Shareholders on 8 February 2018:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect and the Articles of Association with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as at the date of such resolutions;
- (c) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to approve any amendment(s) to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion but subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (d) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be allotted and issued pursuant to the Share Offer and the Capitalisation Issue, including the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on GEM; (bb) the Offer Price having been duly fixed on the Price Determination Date; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreements (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:
- (i) the Share Offer and the grant of the Offer Size Adjustment Option by our Company were approved and our Directors were authorised and directed to (aa) allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option; (bb) implement the Share Offer and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer (including the Offer Size Adjustment Option) and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
- (ii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$5,990,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 8 February 2018 (or as they may direct) in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;
- (iii) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part

of any cash dividend in accordance with the Articles, or upon the exercise of any option(s) which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue, with an aggregate number of Shares not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding our Shares which may be allotted and issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme), (bb) the aggregate number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (iv) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the authority given to our Directors, whichever occurs first;

- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to buy-back on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding the Shares which may be allotted and issued under the Offer Size Adjustment Option or pursuant to the exercise of the option(s) which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the authority given to our Directors, whichever occurs first; and
- (v) the general unconditional mandate mentioned in sub-paragraph (iii) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares bought back by our Company pursuant to the mandate to buy-back Shares as referred to in sub-paragraph (iv) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding our Shares which may be allotted and issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

#### **4. Changes in the share capital of our Company's subsidiaries**

The principal subsidiaries of our Company are set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" of this prospectus, there are no changes in the registered capital of our Company's subsidiaries during the two years preceding the date of this prospectus.

#### **5. Corporate reorganisation**

In order to rationalise our structure and prepare for the Listing, the Group has undertaken several restructuring steps, particulars of which are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus.

#### **6. Repurchase of our own securities**

As mentioned in "3. Written resolutions of our Shareholders passed on 8 February 2018" above, a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed. The following set out the information required by the GEM Listing Rules to be included in the prospectus concerning repurchase of our Shares by our Company.

##### ***(a) Provisions of the GEM Listing Rules***

The GEM Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

##### ***(i) Shareholders' approval***

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution by shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

*(ii) Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and the Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any repurchase by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

*(iii) Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The GEM Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(iv) Status of repurchased securities*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of repurchases*

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the GEM Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company.

**(b) *Reasons for repurchases***

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of repurchases*

In repurchasing Shares, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum of Association and the Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) *General*

The exercise in full of the repurchase mandate, on the basis of 800,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme), could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiry of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting; or
- (iii) the date on which the repurchase mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the GEM Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.



If, as a result of any repurchase of Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 11.23 of the GEM Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the GEM Listing Rules.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the Deed of Non-Competition;
- (b) the Deed of Indemnity;
- (c) the Public Offer Underwriting Agreement;
- (d) the Share Swap Agreement; and
- (e) the Photo-Me Deed of Non-Competition.

## 2. Material intellectual property rights

As of the Latest Practicable Date, we have registered for the following intellectual property rights which are material in relation to our business.

### (a) Trademarks

Trademarks	Class	Registered owner	Place of registration	Trademark number	Validity period
Max Sight Photo	9, 16, 38, 40, 41, 42	Max Sight	Hong Kong	304127878	2 May 2017 – 1 May 2027
名仕快相	9, 16, 38, 40, 41, 42	Max Sight	Hong Kong	304127869	2 May 2017 – 1 May 2027

### (b) Domain Names

Domain Name	Registered owner	Expiry date
<a href="http://www.maxsightgroup.com">www.maxsightgroup.com</a>	Max Sight	8 February 2019

## 3. Licensed sites

As of the Latest Practicable Date, we occupied over 50 and 80 sites in Hong Kong and PRC, respectively, from Independent Third Parties primarily for the operation of our ID photo booths. The following table sets forth details of our material licensed sites as at the Latest Practicable Date:

Location/Licence	Approximate area	Licence period
<b>Hong Kong</b>		
Machine site at a metro station at HKU	Not exceeding 1.00 sq.m.	28 December 2017 – 27 December 2020
Machine site at a metro station at Diamond Hill	Not specified	16 December 2017 – 15 December 2020
Machine site at a metro station at Tuen Mun	Not specified	20 December 2017 – 19 December 2020
Machine site at a metro station at Siu Hong	Not specified	20 December 2017 – 19 December 2020
Machine site at a metro station at Tin Shui Wai	Not specified	20 December 2017 – 19 December 2020

Location/Licence	Approximate area	Licence period
Machine site at a metro station at Long Ping	Not specified	20 December 2017 – 19 December 2020
Machine site at a metro station at Mei Foo	Not specified	20 December 2017 – 19 December 2020
Machine site at a metro station at Sha Tin	Not exceeding 1.00 sq.m.	1 March 2018 – 28 February 2021
Machine site at a metro station at Kwun Tong	Not specified	28 March 2015 – 27 March 2018
Machine site at a metro station at Sai Ying Pun	Not exceeding 1.00 sq.m.	15 April 2015 – 14 April 2018
Machine site at a metro station at Austin	Not exceeding 1.00 sq.m.	1 September 2018 – 31 August 2021
Machine site at a metro station at Tsing Yi	Not exceeding 1.00 sq.m.	15 December 2015 – 14 December 2018
Machine site at a metro station at Lai King	Not exceeding 1.00 sq.m.	15 December 2015 – 14 December 2018
Machine site at a metro station at Tung Chung	Not exceeding 1.00 sq.m.	15 December 2015 – 14 December 2018
Machine site at a metro station at Hong Kong	Not exceeding 1.00 sq.m.	15 December 2015 – 14 December 2018
Machine site at a metro station at Olympic	Not exceeding 1.00 sq.m.	15 December 2015 – 14 December 2018
Machine site at a metro station at Prince Edward	Not specified	1 February 2016 – 31 January 2019
Machine site at a metro station at Tai Wo Hau	Not specified	1 April 2016 – 31 March 2019
Machine site at a metro station at Shek Kip Mei	Not specified	1 April 2016 – 31 March 2019

<b>Location/Licence</b>	<b>Approximate area</b>	<b>Licence period</b>
Machine site at a metro station at Wong Tai Sin	Not specified	1 April 2016 – 31 March 2019
Machine site at a metro station at Sham Shui Po	Not specified	1 April 2016 – 31 March 2019
Machine site at a metro station at Kowloon Bay	Not specified	1 April 2016 – 31 March 2019
Machine site at a metro station at Kwai Fong	Not specified	3 April 2016 – 2 April 2019
Machine site at a metro station at Lai Chi Kok	Not specified	1 May 2016 – 30 April 2019
Machine site at a metro station at South Horizons	Not exceeding 1.00 sq.m.	28 December 2016 – 27 December 2019
Machine site at a metro station at Kowloon Tong	Not exceeding 1.00 sq.m.	22 July 2016 – 21 July 2019
Machine site at a metro station at Sheung Shui	Not exceeding 1.00 sq.m.	3 March 2017 – 2 March 2020
Machine site at a metro station at Wan Chai	Not specified	16 June 2017 – 15 June 2020
Machine site at a metro station at Admiralty	Not specified	16 June 2017 – 15 June 2020
Machine site at a metro station at Jordan	Not specified	13 July 2017 – 12 July 2020
Machine site at a metro station at Cheung Sha Wan	Not specified	5 August 2017 – 4 August 2020
Machine site a metro station at Po Lam	Not specified	18 August 2017 – 17 August 2020
Machine site at a metro station at Hang Hau	Not specified	18 August 2017 – 17 August 2020

Location/Licence	Approximate area	Licence period
Machine site at a metro station at Tiu King Leng	Not specified	18 August 2017 – 17 August 2020
Machine site at a metro station at Tseung Kwan O	Not specified	18 August 2017 – 17 August 2020
Machine site at a metro station at Chai Wan	Not specified	5 August 2017 – 4 August 2020
Shop No. 71B on Level 2 of Sun Tuen Mun Shopping Centre	808 sq.ft./461 sq.ft.	1 December 2016 – 30 November 2019
Designated area on 2/F., 78-83 Connaught Road Central, Hong Kong at the premises of the PRC permits issuing authority	Not specified	1 January 2015 – 31 December 2019
Designated area on 2/F., Tak Po Building, 62-72 Sai Yee Street, Mongkok, Kowloon, Hong Kong at the premises of the PRC permits issuing authority	Not specified	1 January 2015 – 31 December 2019
Designated area in Room 202, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong at the premises of the PRC permits issuing authority	Not specified	1 January 2015 – 31 December 2019
Designated area in Shop B, G/F., Sha Tin Fun City, 7 Lek Yuen Street, Sha Tin, New Territories, Hong Kong at the premises of the PRC permits issuing authority	Not specified	1 January 2015 – 31 December 2019

Location/Licence	Approximate area	Licence period
Designated area on G/F., 189 Castle Peak Road (Tsuen Wan), New Territories, Hong Kong at the premises of the PRC permits issuing authority	Not specified	1 January 2015 – 31 December 2019
Designated area in Shop A, 1/F., Kar Wah Building, 11-17 Castle Road, San Hui, Tuen Mun, New Territories, Hong Kong at the premises of the PRC permits issuing authority	Not specified	1 January 2015 – 31 December 2019
Designated area at 26 Garden Road, Central, Hong Kong at the premises of a foreign embassy	Not specified	Since 2013
Designated area at near unit no. 25, G/F., Part B of Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Kowloon, Hong Kong	Approximately 1.11 sq.m.	1 July 2017 – 30 June 2019
Designated area in Room 1603, 148 Electric Road, North Point, Hong Kong at the premises of a foreign visas issuing centre	Not specified	Since 2016
Designated area at 41 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong	Not specified	Since 1993

Location/Licence	Approximate area	Licence period
Designated area at Unit No. 7T095A at Level 7 Departures Check-in Hall in Terminal 1, the Airport, Lantau, Hong Kong	2.4 sq.m.	6 April 2016 – 5 April 2019
Designated area at 1 Supreme Court Road, Hong Kong at the premises of a foreign embassy	Not specified	Since 5 January 2016 (continuous basis subject to a review every four months)
Designated area at the Hong Kong University of Science and Technology, Clear Water Bay, Kowloon, Hong Kong	Not specified	Since 23 July 2010 until terminated by either party with 120-day advance notice
Machine Site No. 6HKP at Hong Kong Polytechnic University	Not specified	Since 26 April 2012 until terminated by either party with 90-day advance notice
Designated area in Room 1106, 11/F., Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong at the premises of a foreign embassy	18 sq.ft.	Since 1 November 2016 until terminated by either party with 1-month advance notice

Location/Licence	Approximate area	Licence period
<b>PRC</b>		
Designated area at a metro station at Changshou Lu in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at The 2nd Workers' Cultural Palace in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Guangzhou South Railway Station in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Shibi in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Huijiang in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Nanpu in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Luoxi in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Nanzhou in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Dongxiaonan in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Jiangtai Lu in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Changgang in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Baiyun Park in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Baiyun Culture Square in Guangzhou	Not specified	28 September 2013 – 30 June 2019



<b>Location/Licence</b>	<b>Approximate area</b>	<b>Licence period</b>
Designated area at a metro station at Jiangxia in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Jiahewanggang in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Wushan in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at South China Normal University in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Shipaiqiao in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Shiqiao in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Hanxi Changlong in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Linhexi in Guangzhou	Not specified	28 September 2013 – 30 June 2019
Designated area at a metro station at Jingxi Nanfang Hospital in Guangzhou	Not specified	16 October 2013 – 30 June 2019
Designated area at a metro station at Tonghe in Guangzhou	Not specified	16 October 2013 – 30 June 2019
Designated area at a metro station at Baiyundadaobei in Guangzhou	Not specified	16 October 2013 – 30 June 2019
Designated area at a metro station at Airport South in Guangzhou	Not specified	16 October 2013 – 30 June 2019
Designated area at a metro station at Huangcun in Guangzhou	Not specified	28 September 2013 – 30 June 2019

Location/Licence	Approximate area	Licence period
Designated area at a metro station at Guangzhou Women and Children's Medical Center in Guangzhou	Not specified	31 October 2013 – 30 June 2019
Designated area at a metro station at Fei'eling in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Huadu Autocity in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Guangzhou North Railway Station in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Huachenglu in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Huaguoshan Park in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Huadu Square in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Ma'anshan Park in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Liantang in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Qingbu in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Qingtang in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Gaozeng in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Yuzhu in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Yufengwei in Guangzhou	Not specified	1 December 2017 – 30 November 2022

<b>Location/Licence</b>	<b>Approximate area</b>	<b>Licence period</b>
Designated area at a metro station at Shuanggang in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Nanhai God Temple in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Xiayuan in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Nangang in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Shacun in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Baijiang in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Xintang in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Guanhu in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Xinsha in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Feishajiao in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Guanglong in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Dachong in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Tangkeng in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Nanheng in Guangzhou	Not specified	1 December 2017 – 30 November 2022

Location/Licence	Approximate area	Licence period
Designated area at a metro station at Nansha Passenger Port in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Xinhe in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Hongwei in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Xinnan in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Fengxia in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Sino-Singapore Guangzhou Knowledge City in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Hetangxia in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Wangcun in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Tangcun in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Zhenlongbei in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Zhenlong in Guangzhou	Not specified	1 December 2017 – 30 November 2022
Designated area at a metro station at Chen Clan Academy in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Ximenkou in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Gongyuanqian in Guangzhou	Not specified	1 January 2017 – 31 December 2021

<b>Location/Licence</b>	<b>Approximate area</b>	<b>Licence period</b>
Designated area at a metro station at Tiyu Xilu in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Tianhe Sports Centre in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Guangzhou East Railway Station in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Fangcun in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Dongshankou in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Peasant Movement Institute in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Yuancun in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Sanxi in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Jiaokou in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Xicun in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Zhongshanba in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Zoo in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Zhujiang New Town in Guangzhou	Not specified	1 January 2017 – 31 December 2021

Location/Licence	Approximate area	Licence period
Designated area at a metro station at Liede in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Chebeinan in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Higher Education Mega Center North in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Sanyuanli in Guangzhou	Not specified	1 January 2017 – 31 December 2021
Designated area at a metro station at Yangang in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Shachong in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Hedong in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Xilang in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Jushu in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Longxi in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Financial Hi-Tech Zone in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Qiandenghu Lake in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Leigang in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Nangui Lu in Foshan	1 sq.m.	1 April 2017 – 31 March 2020

Location/Licence	Approximate area	Licence period
Designated area at a metro station at Guicheng in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Chao'an in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Pujun Beilu in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Zumiao in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Tongji Lu in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Jihua Park in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Kuiqi Lu in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Lanshi in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Shijilian in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Dongping in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Xincheng Dong in Foshan	1 sq.m.	1 April 2017 – 31 March 2020
Designated area at a metro station at Xiaqiao in Dongguan	Not specified	1 September 2017 – 31 August 2020
Designated area at a metro station at Tianbao in Dongguan	Not specified	1 September 2017 – 31 August 2020
Designated area at a metro station at Hongfu Road in Dongguan	Not specified	1 September 2017 – 31 August 2020

Location/Licence	Approximate area	Licence period
Designated area at a metro station at Xiping in Dongguan	Not specified	1 September 2017 – 31 August 2020
Designated area at a metro station at Exhibition Center in Dongguan	Not specified	1 September 2017 – 31 August 2020
Designated area at a metro station at Dongcheng in Dongguan	Not specified	1 September 2017 – 31 August 2020
Designated area at Chengang Che Guan Suo 34 Chengang Road Yue Xiu District Guangzhou at the premises of a driving licence issuing authority	0.98 sq.m.	1 October 2017 – 30 September 2018
Designated area at Cencun Che Guan Suo 1732 Cencun Huacheng Road Tianhe District Guangzhou at the premises of a driving licence issuing authority	1.95 sq.m.	25 March 2017 – 24 March 2018
Designated area at 9/F, Tianhe Times Square, Guangzhou	0.975 sq.m.	1 January 2017 – 31 December 2018
Designated area at Room 05-06, 2/F, Shengfeng Plaza at No. 988 Guangzhou Dadaozhong	0.975 sq.m.	1 January 2017 – 31 December 2018
Designated area at Level 1, Block 1 of Huang Jin Building at No. 5 Bao An Xin An Road, Guangdong	1.00 sq.m.	One year from a date as agreed by the Lessor and us and falling within the period of 29 March 2018 and 28 September 2019



## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND CHIEF EXECUTIVE

## 1. Disclosure of interests

Immediately following the completion of the Share Offer and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of the Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange, will be as follows:

*(i) Long position in the Shares*

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of total number of issued Shares
Mr. Jamson Chan	Interest in a controlled corporation <sup>(2)</sup>	427,600,560 (L)	53.45%
Mr. Timmy Chan	Interest in a controlled corporation <sup>(2)</sup>	427,600,560 (L)	53.45%
Mr. Cheung	Beneficial owner	62,426,940 (L)	7.80%

*Notes:*

- The letter "L" denotes the person's long position in the Shares.
- The disclosed interest represents the interest in our Company held by Causeway Treasure which is in turn approximately 47.25% owned by Mr. Jamson Chan, approximately 47.25% owned by Mr. Timmy Chan and approximately 5.5% owned by Ms. AY Ying Ho. By virtue of the SFO, Mr. Jamson Chan and Mr. Timmy Chan are deemed to be interested in the Shares held by Causeway Treasure.

*(ii) Long position in the share of associated corporation*

Name of Director	Name of associated corporation	Capacity/Nature of interest	Approximate shareholding percentage in the relevant shares in the associated corporation
Mr. Jamson Chan	Causeway Treasure	Beneficial owner <sup>(1)</sup>	47.25%
Mr. Timmy Chan	Causeway Treasure	Beneficial owner <sup>(1)</sup>	47.25%

*Note:*

1. The disclosed interest represents the interest in Causeway Treasure, the associated corporation which is approximately 47.25% owned by Mr. Jamson Chan and approximately 47.25% owned by Mr. Timmy Chan, with the remaining interest held as to 5.5% by Ms. AY Ying Ho.

Save as disclosed above, none of the Directors or chief executive of our Company will, immediately following the completion of the Share Offer and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, have any interests or short positions in the shares, underlying shares or debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange.

## **2. Directors' service contracts and letters of appointment**

Our Company has entered into a service contract with each of our executive Directors and non-executive Directors commencing from the Listing Date and a letter of appointment with each of our independent non-executive Directors commencing from the Listing Date. Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the Listing Date.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

### 3. Directors' remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for each of the two years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017 were approximately HK\$2,715,000, HK\$2,153,000 and HK\$1,654,000, respectively.

Under the arrangements currently in force, the aggregate remuneration (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our INEDs in their respective capacity as Directors) for the year ending 31 December 2018 is approximately HK\$3.3 million.

Save as disclosed above, no other payments have been made or are payable, in respect of by any of member of the Group to any of the Directors.

### 4. Directors' competing interests

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

### 5. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or Chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity/Nature of Interest	Number of Shares <sup>(1)</sup>	Percentage of Shareholding
Causeway Treasure	Beneficial owner <sup>(2)</sup>	427,600,560 (L)	53.45%
Ms. AY Ying Ho	Interest in Corporation <sup>(3)</sup>	427,600,560 (L)	53.45%
Photo-Me	Beneficial owner	109,972,500 (L)	13.75%

*Notes:*

- The letter "L" denotes the person's long position in the Shares.
- The disclosed interest represents the interest in our Company held by Causeway Treasure which is in turn approximately 47.25% owned by Mr. Jamson Chan, approximately 47.25% owned by Mr. Timmy Chan and approximately 5.5% owned by Ms. AY Ying Ho.

3. On 7 July 2017, Mr. Jamson Chan, Ms. AY Ying Ho and Mr. Timmy Chan executed the Deed of AIC 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 upon the Listing to consolidate their control over our Group until and unless the Deed of AIC Confirmation is terminated in writing. By virtue of the SFO, Ms. AY Ying Ho is deemed to be interested in the Shares held by Causeway Treasure.

## 6. Disclaimers

- (a) Save as disclosed in the paragraph headed “Further Information about our Directors and Chief Executive – Disclosure of interests” in this Appendix, none of the Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) Save as disclosed in the paragraph headed “Further Information about our Directors and Chief Executive – Directors’ service contracts and letters of appointment” in this Appendix, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole.
- (c) Save as disclosed in the section headed “Further Information about our Directors and Chief Executive – Substantial Shareholders” in this Appendix, none of our Directors and their close associates, and so far as is known to the Directors, none of the Shareholders who are interested in more than 5% of the number of issued shares of our Company, has any interest in our Company’s five largest suppliers.

## D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 23 of the GEM Listing Rules by the written resolutions of our Shareholders passed on 8 February 2018. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

### 1. Purpose

The purpose of the Share Option Scheme is to motivate Eligible Persons (as set out in paragraph 2 below) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

## 2. Eligible Persons

Our Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an “**Employee**”), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an “**Executive**”), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, or any advisory, consultancy, professional or other services to any member of our Group, or a close associate (as defined under the GEM Listing Rules) of any of the foregoing persons (together, the “**Eligible Persons**” and each an “**Eligible Person**”).

## 3. Conditions and administration

The Share Option Scheme shall come into effect on the Listing Date, subject to:

- (a) the Stock Exchange granting approval for the listing of and permission to deal on the Shares in the Company to be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme (“**Share Options**”); and
- (b) the commencement of dealings in the Shares on the GEM of the Stock Exchange.

The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (except as otherwise provided in the rules of Share Option Scheme) be final and binding on all parties thereto. Our Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

## 4. Determination of eligibility

- (a) Our Board may, at its absolute discretion, offer to grant to any Eligible Person a Share Option to subscribe for Shares under the Share Option Scheme.
- (b) The basis of eligibility of any Eligible Person to the grant of any Share Option shall be determined by the Directors from time to time on the basis of their contributions to the development and growth of our Group.
- (c) For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless our Directors otherwise determine, be construed as a grant of Share Options under the Share Option Scheme.

- (d) An Eligible Person or grantee shall provide our Board such information and supporting evidence as the Board may in its absolute discretion request from time to time (including, without limitation, before the offer of a grant of Share Option, at the time of acceptance of a grant of Share Option, and at the time of exercise of a Share Option) for the purpose of assessing and/or determining his eligibility or continuing eligibility as an Eligible Person and/or grantee or that of his close associates or for purposes in connection with the terms of a Share Option (and the exercise thereof) or the Share Option Scheme and the administration thereof.

## **5. Duration**

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. However, our Shareholders in general meeting may by resolution at any time terminate the Share Option Scheme. Upon the expiry or termination of the Share Option Scheme as aforesaid, no further Share Option shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All Share Options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

## **6. Grant of Share Options**

On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within the period of the Share Option Scheme to offer the grant of any Share Option to any Eligible Person as our Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the Share Option as accepted to the Eligible Person.

Subject to the provisions of the Share Option Scheme, our Board may in its absolute discretion when offering the grant of a Share Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Share Option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Share Option in respect of all or some of the Shares which the Share Option relates shall vest.

An offer of the grant of a Share Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Share Option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by within the period specified in the letter containing the offer of the grant of the Share Option. Once such acceptance is made, the Share Option shall be deemed to have been granted and to have taken effect from the offer date.

## 7. Subscription price of Shares

The subscription price in respect of any particular Share Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Share Option (and shall be stated in the letter containing the offer of the grant of the Share Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of Share;
- (b) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with paragraph 13 of this section.

## 8. Exercise of Share Options

- (a) A Share Option shall be exercised in whole or in part by the grantee according to the procedures for the exercise of Share Options established by our Company from time to time. Every exercise of a Share Option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such Share Option.
- (b) A Share Option shall be personal to the grantee and shall not be and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Share Option or purport to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option may be registered). Any breach of the foregoing shall entitle our Company to cancel, revoke or terminate any outstanding Share Option or part thereof granted to such grantee without any compensation.
- (c) Subject to paragraph 8(e) and any conditions, restrictions or limitations imposed in relation to the particular Share Option pursuant to the provisions of paragraphs 6, 10 or 12 and subject as hereinafter provided, a Share Option may be exercised at any time during the option period, provided that:
  - (i) if the grantee (being an individual) dies or becomes permanently disabled before exercising an Share Option (or exercising it in full), he (or his legal representative(s)) may exercise the Share Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;

- (ii) in the event of the grantee ceasing to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period;
- (iii) in the event of the grantee ceasing to be an Executive by reason of his transfer of employment to an affiliate company of our Company, his Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;
- (iv) in the event of the grantee ceasing to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time, transfer of employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or culpable termination, the Share Option (to the extent not already exercised) shall lapse on the 180th day after the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;
- (v) in the event of the grantee ceasing to be an Executive by reason of the termination of his employment by resignation or culpable termination, the Share Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's Share Option has lapsed pursuant to this sub-paragraph shall be final and conclusive;
- (vi) if a grantee being an executive director of the Company ceases to be an Executive but remains a non-executive director, his Share Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;



- (vii) if (1) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or (2) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Share Option or which were the basis on which the Share Option was granted, the Share Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (1)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (2)) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure/non-satisfaction/non-compliance. In the case of (1), a resolution of our Board resolving that the grantee's Share Option has lapsed pursuant to this sub-paragraph shall be final and conclusive;
- (viii) if a grantee (being a corporation) (1) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or (2) has suspended or ceased or threatened to suspend or cease business; or (3) is unable to pay its debts (within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Companies Law as amended from time to time); or (4) otherwise becomes insolvent; or (5) suffers a change in its constitution, directors, shareholding or management which in the opinion of our Board is material; or (6) commits a breach of any contract entered into between the grantee or his associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;
- (ix) if a grantee (being an individual) (1) is unable or has no reasonable prospect of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent; or (2) has made any arrangements or compositions with his creditors generally; or (3) has been convicted of any criminal offence involving his integrity or honesty; or (4)

commits a breach of any contract entered into between the grantee or his Associate and any member of our Group, the Share Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

- (x) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Share Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (xi) in the event of an effective resolution being passed for the voluntary winding-up of the Company, and if the grantee immediately prior to such event had any subsisting Share Option which had not been fully exercised, the grantee may by notice in writing to the Company within one month after the date of such resolution elect to be treated as if the Share Option had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation, *pari passu* with the holders of the Shares, such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof; and
- (xii) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have unexercised

Share Options at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of: (1) the option period; (2) the period of two months from the date of such notice; and (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Share Option. Except insofar as exercised in accordance with this paragraph 8(c)(xii), all Share Options outstanding at the expiry of the relevant period referred to in this paragraph 8(c)(xii) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the Share Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any grantee to exercise an Share Option at any particular date, our Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional conditions, restrictions or limitations imposed in relation to the particular Share Option pursuant to the provisions of paragraph 6 and/or deem the right to exercise the Share Option in respect of the Shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular Share Option such right shall not have then vested.

- (d) The Shares to be allotted upon the exercise of a Share Option shall be subject to all the provisions of the Memorandum of Association and the Articles of Association of our Company and the laws of the Cayman Islands in force from time to time and shall rank *pari passu* in all respects with then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. Subject as aforesaid, no grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a Share Option pursuant to the Share Option Scheme.
- (e) Our Company is entitled to refuse any exercise of a Share Option if such exercise is not in accordance with the terms of the Share Option Scheme or the procedures for exercise of Share Option established by our Company from time to time or if such exercise may cause to contravene or breach any laws, enactment or regulations for the time being in force in Hong Kong and the Cayman Islands or other jurisdiction where applicable or the GEM listing Rules or any rules governing the listing of the Shares on a stock exchange.

## 9. Lapse of Share Options

A Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise relaxed or waived (conditionally or unconditionally) by our Company:

- (a) the expiry of the option period;
- (b) the expiry of any of the periods referred to in paragraph 8(c);
- (c) (subject to paragraph 8(c)(xi)) the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts within the meaning of the Bankruptcy Ordinance;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraphs 8(c)(viii), 8(c)(ix) or paragraph 9(d); or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Share Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

## 10. Maximum number of shares available for subscription

The maximum number of Shares to be issued upon exercise of all Share Options which may be granted under the Share Option Scheme (and under any other share option schemes) shall not in aggregate exceed 10% of the Shares in issue immediately after completion of the Share Offer and as at the Listing Date (the “**Scheme Mandate Limit**”), provided that our Company may at any time as our Board may think fit seek approval from the Shareholders to refresh the scheme mandate limit, except that the maximum number of Shares to be issued upon exercise of all Share Options which may be granted under the Share Option Scheme (and under any other share option schemes of our Company) shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, and lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes or exercised options under the said schemes of our Company) shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall send a circular containing the information required under Rule 23.02(2)(d) and

the disclaimer required under Rule 23.02(4) of the GEM Listing Rules to the Shareholders. In addition, our Company may seek separate approval from the Shareholders in general meeting for granting Share Options beyond the Scheme Mandate Limit, provided that the Share Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is obtained. Our Company shall issue a circular to the Shareholders containing the information required under Rule 23.03(3) of the GEM Listing Rules.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme (and under any other share option schemes of the Company) shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the Share Options granted to any one Eligible Person (including exercised and outstanding Share Options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Share Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Share Options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates of such Eligible Person is a connected person) abstaining from voting. The applicable requirements of Rule 23.03(4) of the GEM Listing Rules shall be complied with.

The maximum numbers set out in this paragraph 10 above shall be subject to adjustment in accordance with paragraph 13 but shall not in any event exceed the limits imposed by Chapter 23 of the GEM Listing Rules.

#### **11. Maximum number of Shares per grantee who is a core connected person**

Each grant of Share Options to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates under the Share Option Scheme shall be approved by Independent Non-executive Directors of our Company (excluding the Independent Non-executive Director of the Company who is the proposed grantee of the Share Options). Where any grant of Share Options to a substantial Shareholder or an Independent Non-executive Director of our Company or any of their respective associates would result in the securities issued and to be issued upon exercise of all Share Options already granted and which may be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of Share Options must be approved by the Shareholders.

Our Company shall send a circular to the Shareholders containing the information required under Rule 23.04 of the GEM Listing Rules. The relevant Eligible Person, his associates and all core connected persons of our Company shall abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such Share Options must be taken on a poll.

## **12. Cancellation of Share Options**

Our Board shall be entitled for the following causes to cancel any Share Option in whole or in part by giving notice in writing to the grantee stating that such Share Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (a) the grantee commits or permits or attempts to commit or permit a breach of paragraphs 4(d) or 8(b) of this appendix or any terms or conditions attached to the grant of the Share Option;
- (b) the grantee makes a written request to our Board for, or agrees to, the Share Option to be cancelled; or
- (c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or any member of our Group.

The Share Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Share Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case. Where our Company cancels a Share Option held by a grantee and issues new Share Options to the same grantee, the issue of such new Share Options may only be made under the Share Option Scheme with available unissued Share Options (excluding the cancelled Share Option) within the limit approved by the Shareholders set out in paragraph 10 of this section.

## **13. Reorganisation of capital structure**

In the event of any change in the capital structure of the Company while any Share Option may become or remains exercisable, whether by way of a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the number of Shares subject to outstanding Share Options;
- (b) the subscription price of each outstanding Share Option; and/or
- (c) the number of Shares subject to the Share Option Scheme.

Where our Board determines that adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors or the independent financial advisors (as our Board may select) shall certify in writing to our Board that any such adjustments to be in their opinion fair and reasonable and in compliance with Rule 23.03(13) of the GEM Listing Rules (as amended from time to time) and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes, provided that:

- (a) the aggregate percentage of the issued share capital of our Company available for the grant of options shall remain as nearly as possible the same as it was before such change but shall not be greater than the maximum number prescribed by the GEM Listing Rules from time to time;
- (b) any such adjustments shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any Share Option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event;
- (c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and
- (d) any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes) for which any grantee is entitled to subscribe pursuant to the options held by him shall remain the same as (but shall not be greater than) that to which he was previously entitled (as interpreted in accordance with the supplementary guidance as amended from time to time).

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring an adjustment.

The capacity of the auditors or the independent financial advisors (as the case may be) in this paragraph 13 is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on our Company and the grantees. The costs of the auditors or the independent financial advisors (as the case may be) shall be borne by our Company.

#### **14. Distributions**

Upon distribution by our Company to holders of the Shares of any cash or in specie of assets (other than dividends in the ordinary course) (“**Distribution**”), may make a downward adjustment to the subscription price of any Share Option granted but not exercised as at the date of such Distribution by an amount which our Board considers as reflecting the impact such

Distribution will have or will likely to have on the trading price of the Shares provided that (a) our Board's determination of any adjustments shall be final and binding on all Grantees; (b) the amount of adjustment shall not exceed the amount of such Distribution to be made to the Shareholders; (c) such adjustment shall take effect on or after the date of such Distribution by our Company; (d) any adjustment provided for in this paragraph 14 shall be cumulative to any other adjustments contemplated under paragraph 13 or approved by the Shareholders in general meeting; and (e) the adjusted subscription price shall not, in any case, be less than the nominal value of the Shares.

#### **15. Share capital**

The exercise of any Share Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company. Subject thereto, our Board shall make available sufficient authorized but unissued share capital of our Company to meet subsisting requirements on the exercise of Share Options.

#### **16. Disputes**

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares, the subject of a Share Option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisors (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

#### **17. Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior approval of the Shareholders by an ordinary resolution in general meeting:

- (a) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect automatically under the existing terms of the Share Option Scheme);
- (b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 23.03 of the GEM Listing Rules;
- (c) any change to the authority of our Directors in relation to any alteration to the terms of the scheme; and
- (d) any alteration to this paragraph 17, provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of Chapter 23 of the GEM Listing Rules.



## 18. Termination

Our Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme. Upon the expiry or termination of the Share Option Scheme as aforesaid, no further Share Options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All Share Options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

## E. OTHER INFORMATION

### 1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

### 2. Tax and Other Indemnities

Our Controlling Shareholders have entered into a Deed of Indemnity in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being a contract referred to in the paragraph headed “Further Information about Our Business – Material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other things:

- (a) any taxation (including estate duty) falling on any member of our Group resulting from, or by reference to any income, profits or gains earned, accrued or received and/or assets acquired on or before the date (the “**Effective Date**”) on which the Share Offer becomes unconditional, including but not limited to, the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or deemed to be so earned, accrued, received or entered into or occurring on or up to the Effective Date;
- (b) any actions, claims, losses, liabilities, impositions, damages, costs (including all legal costs), fines, penalties, charges or expenses which may be made, suffered or incurred by any member of our Group in respect of or arising directly or indirectly from any claim issued by any revenue, customs, fiscal, statutory or governmental or other authority or official in Hong Kong, the PRC or in any other part of the world; and

- (c) all costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which any member of our Group may incur, suffer or accrue, directly or indirectly, from any act of such member arising from or in connection with any non-compliance of any member of our Group on or before the Effective Date including but not limited to all litigations, arbitration, claims, counter-claims, actions, complaints, demands, judgments, and/or legal proceedings by or against any of the members of our Group which was issued, accrued and/or arising from any act of any member of our Group at any time on or before the Effective Date.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to jointly and severally indemnify our Company and our Group (on its own behalf and as trustees for our Group) against any depletion in or reduction in value of our assets or any loss (including all legal costs and suspension of operation) and/or against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs charges, fees, expenses, penalties and fines falling on our Company or our Group directly or indirectly resulting from, or relating to or in consequence of the Reorganisation as set out in the section headed “History, Reorganisation and Corporate Structure” in this prospectus.

The Controlling Shareholders will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (a) specific provision or reserve has been made for such liability in the audited consolidated accounts of our Group for the two financial years ended 31 December 2015 and 31 December 2016 and the eight months ended 31 August 2017 as set out in Appendix I; or
- (b) the liability arises or is increased as a result only of a retrospective change in law or a retrospective increase in tax rates coming into force after the Effective Date; or
- (c) the liability would not have arisen but for any voluntary act of any member of our Group after the Effective Date which the relevant member of our Group ought reasonably to have known would give rise to such liability but excluding any act:
  - (i) carried out pursuant to a legally binding obligation of any member of our Group entered into or incurred on or before the Effective Date; or
  - (ii) pursuant to an obligation imposed by any law, regulation or requirement having the force of law; or
  - (iii) taking place with the written approval of any of our Controlling Shareholders or pursuant to the Share Offer or any document executed pursuant to the Share Offer; or
  - (iv) occurring in the ordinary course of business of our Group; or
  - (v) pursuant to any statement made in this prospectus; or

- (d) the liability arises in the ordinary course of business of our Group after 31 August 2017 up to the Effective Date.

### 3. Sole Sponsors' fees

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor will receive a fee of approximately HK\$4.0 million for acting as the sponsor for the Listing.

### 4. Qualification of experts

The qualifications of the experts (as defined under the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in, or referred to in, this prospectus (the “**Experts**”) are set out below:

<b>Name</b>	<b>Qualifications</b>
South China Capital Limited	A corporation licenced under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Legal advisers as to the Cayman Islands law
GFE Law Office	Legal advisers as to PRC law
Frost & Sullivan International Limited	Industry consultant

### 5. Consents of experts

Each of the Experts has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

### 6. Interests of experts

None of the Experts has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

None of the Experts has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### **7. Promoter**

Our Company has no promoter for the purpose of the GEM Listing Rules. No amount or benefit has been paid or given within the two years immediately preceding the date of this prospectus or intended to be paid or given to any promoter.

#### **8. Preliminary expenses**

The estimated preliminary expenses relating to the incorporation of our Company are approximately HK\$43,000 and are payable by our Company.

#### **9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

#### **10. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

#### **11. Miscellaneous**

- (a) Within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of any member of the Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of the Group; and
  - (iii) no commission (except commission to Underwriters) has been paid or payable to any person for subscribing, agreeing to subscribe, or procuring or agreeing to procure subscription, for any shares in or debentures of our Company.

- (b) No share or loan capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option other than pursuant to the Share Option Scheme.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (d) Our Company has no outstanding convertible debt securities or debentures.
- (e) There is no arrangement under which future dividends are waived or agreed to be waived.
- (f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus

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**APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE FOR INSPECTION**

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**A.    DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were

- (a) each of the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 5. Consents of experts” in Appendix V to this prospectus;
- (b) certified copies of each of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about Our Business – 1. Material contracts” in Appendix V to this prospectus; and
- (c) Application Forms

**B.    DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Companies Law;
- (c) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (d) the Unaudited Pro Forma Financial Information prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the letter prepared by Deloitte Touche Tohmatsu on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (f) the letters on loss estimate for the financial year ended 31 December 2017 issued by Deloitte Touche Tohmatsu and the Sole Sponsor respectively, the text of which is set out in Appendix III to this prospectus;
- (g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Companies Laws as referred to in Appendix IV to this prospectus;
- (h) legal opinion prepared by GFE Law Office in respect of certain aspects of our Group

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- (i) the F&S Report;
- (i) the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about Our Business – 1. Material contracts” in Appendix V to this prospectus;
- (j) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information – C. Further Information about our Directors and Chief Executive – 2. Directors’ service contracts and letters of appointment” in Appendix V to this prospectus;
- (k) the terms of the Share Option Scheme; and
- (l) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 5. Consents of experts” in Appendix V to this prospectus.

**MAX SIGHT GROUP HOLDINGS LIMITED**  
名仕快相集團控股有限公司\*