

MaxSight Photo 名仕快相

MAX SIGHT GROUP HOLDINGS LIMITED 名仕快相集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8483



2017 | Annual Report
年報

Characteristics of GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, 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 annual report.

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

This annual report, in both English and Chinese versions, is available on the Company’s website at www.maxsightgroup.com.

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Board of Directors

Executive Directors

Mr. CHAN Wing Chai, Jamson (*Chairman*)
Mr. CHAN Tien Kay, Timmy
(*Chief Executive Officer*)
Mr. WU Siu Tong (*Finance Director*)

Non-executive Directors

Mr. CHEUNG Kam Ting
Mr. Riccardo COSTI

Independent Non-executive Directors

Mr. NGAI James
Mr. HUI Chi Kwan
Mr. KWOK Tsun Wa

Audit Committee

Mr. NGAI James (*Chairman*)
Mr. HUI Chi Kwan
Mr. KWOK Tsun Wa

Remuneration Committee

Mr. NGAI James (*Chairman*)
Mr. CHAN Tien Kay, Timmy
Mr. HUI Chi Kwan

Nomination Committee

Mr. CHAN Wing Chai, Jamson (*Chairman*)
Mr. NGAI James
Mr. KWOK Tsun Wa

Authorised Representatives

Mr. CHAN Tien Kay, Timmy
Mr. WU Siu Tong
Mr. CHAN Wing Chai, Jamson
(*Alternate Authorised Representative*)

Company Secretary

Mr. LEY Yee Chung, Danny

Compliance Officer

Mr. CHAN Tien Kay, Timmy

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Compliance Adviser

Octal Capital Limited
801-805, 8/F, Nan Fung Tower
88 Connaught Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

14th Floor, McDonald's Building
48 Yee Wo Street
Causeway Bay
Hong Kong

Principal Share Registrar

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Wing Lung Bank Ltd.
Causeway Bay Branch
Ground Floor, Top Glory Tower
No. 262 Gloucester Road
Causeway Bay, Hong Kong

The Hong Kong and Shanghai Banking
Corporation Limited
Hopewell Centre Branch
Shop 2A, 2/F, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Company's Website

www.maxsightgroup.com

Stock Code

8483

Date of Listing

28 February 2018

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, I am pleased to present the first annual report of the Company for the year ended 31 December 2017 after the successful listing of the Company’s shares on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 February 2018 (the “**Listing**”). The successful Listing was a significant milestone for furthering the development of the Company and its subsidiaries (the “**Group**”).

For the year ended 31 December 2017, the Group continued to act as a leading automatic Identity (“**ID**”) Documentation photo booth operator in Hong Kong and Guangdong Province where we operate iconic brands “Max Sight Photo 名仕快相” and “名仕富美” respectively.

Strategies

We will 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 on 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 to metro stations and exploring new sites; and
- Upgrade our validation centre and IT infrastructure to cope with our anticipated business growth.

We have made good progress with the above strategies. For the year ended 31 December 2017, we concluded new contracts with the Foshan and Dongguan Railway Authorities for installing 21 and 6 photo booths in there respectively. Furthermore, we expanded our network with Guangzhou Railway authorities by contracting with them for installing 39 photo booths therein.

Results

For the year ended 31 December 2017, we generated revenue of approximately HK\$46,491,000, while our loss attributable to owners of the Group for the period was approximately HK\$3,486,000. Excluding the non-recurring Listing expenses of approximately HK\$11,268,000 incurred for the year ended 31 December 2017, our profit attributable to owners of the Group amounted to approximately HK\$7,782,000.

Dividend

To preserve sufficient funds to meet the financial needs of the Group in relation to its future business development, whenever appropriate, and to cater for any business opportunities that may arise in the near future, the Board does not recommend to declare a final dividend for the year ended 31 December 2017.

Business Review

The change in Hong Kong and the People’s Republic of China (the “**PRC**”) economic environment and policies in various regions has varied the market development of the ID photo industry. We will continue to expand our automatic ID photo booth business in Hong Kong and Guangdong Province striving to anchor our leading position in the industry and make appropriate adjustments to its business approach and strategy, while managing financial resources in a prudent and cost-effective manner to achieve a sustainable development.

CHAIRMAN'S STATEMENT

In the foreseeable future, both business models of automatic photo booth and photo studio 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.

At the date of this annual report, we owned an aggregate of 217 automatic photo booths, of which 84 photo booths were in Hong Kong and 133 photo booths in Guangdong Province.

We intend to 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. We believe the automatic ID photo booth business has considerable expansion potential in the PRC.

We believed that the net proceeds from the Listing enabled the Group to raise additional fund to expand our network of ID photo booths and upgrade our validation centre and IT infrastructure.

We would continue to adopt a cautious approach to balance between our business development process and our financial liquidity position.

Appreciation

On behalf of the Board and the management, I wish to extend my sincere appreciation to all of our staff for their tireless efforts, diligence and contribution during the year ended 31 December 2017, and express my utmost gratitude to all shareholders, investors, customers, suppliers and business partners for their continued and valuable support and trust to the Group.

By order of the Board

Max Sight Group Holdings Limited

CHAN Wing Chai, Jamson

Chairman

Hong Kong, 23 March 2018

Business Review

The Company continued to progress its listing plan on GEM of the Stock Exchange during year ended 31 December 2017 and was successfully listed on the Stock Exchange on 28 February 2018 (“**Listing**”), marking a milestone for the Group in improving capital strength and corporate governance as well as enhancing our competitive edge.

Besides our successful Listing, the Group is engaged in operation on automatic ID photo booths 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.

The Group is the main photo booth operator of the automatic ID photo service market in Hong Kong and Guangdong Province in terms of the number of ID photo booths operated and market share, we believe our brand has become synonymous with automatic ID photo booths.

In the foreseeable future, both business models of automatic photo booth and photo studio 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.

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The Directors believed that the net proceeds from the Listing enabled the Group to raise additional fund to expand our network of ID photo booths and upgrade our validation centre and IT infrastructure.

Outlook

Going forward, we are optimistic about the development of the Group’s business. Favourable factors for increasing demand for ID documentation photos include:

- Continuing urban population growth;
- Increasing number of outbound travel of Chinese as well as driving license holders and motor vehicles consumption in the PRC, which is helped by supportive policies of population growth; and
- Expected boom in cross-border movement underpinned by a seamless regional transportation system in Hong Kong.

Financial Review

Revenue

The Group's revenue decreased by approximately HK\$962,000 or 2.03%, from approximately HK\$47,453,000 for the year ended 31 December 2016 to approximately HK\$46,491,000 for the year ended 31 December 2017. For the year ended 31 December 2017, the lower revenue was attributed to the slight decrease in number of transactions generated by photo booths located in Hong Kong and Guangdong Province.

Cost of sales

The Group's cost of sales primarily consisted of (i) license fees paid to lessors for the operational sites of our photo booths; (ii) staff costs in relation to ID photo booth attendants; (iii) photo booth consumables; (iv) depreciations and others. Our cost of sales was mainly comprised of license fees paid/payable for premises of our photo booths, which accounted for approximately 80.04% of our total cost of sales, for the year ended 31 December 2017.

Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK\$20,508,000 and HK\$20,810,000 for the years ended 31 December 2017 and 2016 respectively, representing gross profit margin of approximately 44.11% and 43.85% respectively, maintained at a stable level. For the years ended 31 December 2017 and 2016, the gross profit of the Group is mainly generated by the photo booths in Hong Kong. The Group's gross profit margin attributable to photo booths in Hong Kong and Guangdong Province were similar for the years ended 31 December 2017 and 2016.

Other income

Other income mainly represented trading of photo booths and interest income from bank deposits.

Other gains and losses, net

Other gains and losses, net mainly represented a net exchange gain of approximately HK\$65,000 for the year ended 31 December 2017.

Administrative expenses

The Group's administrative expenses decreased mildly by approximately HK\$374,000, or 3.90%, from approximately HK\$9,585,000 for the year ended 31 December 2016 to approximately HK\$9,211,000 for the year ended 31 December 2017. The decrease was mainly attributable to (i) a decrease in staff cost; and (ii) a decrease in the office rental, rates and management fees.

Finance costs

Finance costs comprised interest charges on finance lease obligation. Finance costs amounted to approximately HK\$9,000 and HK\$15,000, respectively, for the years ended 31 December 2017 and 2016.

Listing expenses

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

The Group's listing expenses amounted to approximately HK\$11,268,000 for the year ended 31 December 2017.

Income tax expenses

Income tax expense amounted to approximately HK\$2,076,000 and HK\$2,076,000 for the years ended 31 December 2017 and 2016, maintained at a stable level.

Profit/(loss) attributable to owners of the Company

The Group's loss attributable to owners of the Group increased by approximately HK\$9,462,000 or 158.3% from profit of approximately HK\$5,976,000 for the year ended 31 December 2016 to loss of approximately HK\$3,486,000 for the year ended 31 December 2017. Excluding the non-recurring listing expenses of approximately HK\$11,268,000 incurred for the year ended 31 December 2017, our profit attributable to owners of the Company would increase by approximately HK\$1,806,000 or approximately 30.22% as compared to that for the year ended 31 December 2016.

Segment information

An analysis of the Group's performance for the years ended 31 December 2017 and 2016 by geographical information is set out in the note 6 to the consolidated financial statements.

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. The Group has built an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. We regularly monitor the repayment dates of financial liabilities, for example other payables and accrued charges, to match with financial resources available to us from time to time. The Group manages liquidity risk by maintaining adequate financial resources, including existing cash and bank balances and operating cash flows.

Capital expenditure

The capital expenditure for the years ended 31 December 2017 and 2016 were primarily related to expenditures on additions of property, plant and machinery, amounting to approximately HK\$624,000 and HK\$1,182,000.

Use of proceeds from the Company's share offer

The Company has received the proceeds from the share offer of 200,000,000 shares of the Company (the "Shares") at a price of HK\$0.31 each on the Listing date. The gross proceeds from the share offer amounted to approximately HK\$62,000,000.

As the Listing date is after the year ended 31 December 2017, the Group has not yet utilised the net proceeds from the share offer. The Company intends to apply such net proceeds in accordance with the purposes set out in the section headed "Use of Proceeds" in the prospectus of the Company dated 15 February 2018.

As from the Listing date to the date of this annual report, all of the unused proceeds were deposited in a licensed bank in Hong Kong.

Foreign exchange risk management

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

MANAGEMENT DISCUSSION AND ANALYSIS

Significant investments

As at 31 December 2017 and 2016, the Group did not hold any significant investments.

Pledge of assets

As at 31 December 2017 and 2016, the Group had no pledge of assets.

Contingent liabilities

As at 31 December 2017 and 2016, the Group did not have any significant contingent liabilities.

Subsequent events

Detailed information are set out in note 34 to the consolidated financial statements.

Dividends

The Directors do not recommend to declare a final dividend for the year ended 31 December 2017. Other details are set out in note 12 to the consolidated financial statements.

Executive Directors

Mr. CHAN Wing Chai, Jamson (陳永濟), aged 71, was appointed as an executive Director of the Company with effect from 26 January 2017, and serves as chairman of the Board. Mr. Chan is primarily responsible for devising strategies for the continuous development of the Group, overseeing the Group's business operations and financial performance, as well as leading the Board in performing its functions. Since March 1989, Mr. Chan served as a director of Max Sight Limited, the first member of the Group. He has also been serving as a director of most of our 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. Chan is a director of Causeway Treasure Holding Limited, the controlling shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Chan is the father of Mr. CHAN Tien Kay, Timmy and Mr. CHAN Erine Shiu Kay.

Mr. CHAN Tien Kay, Timmy (陳天奇), aged 44, was appointed as an executive Director of the Company with effect from 26 January 2017. Mr. Chan also serves as the chief executive officer of the Company and is primarily responsible for managing the overall business operations and executing business strategies of the 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 Limited 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 Limited since July 1999, Treasure Star (China) Limited since January 2010 and MV Asset Management Limited since June 2017. Through his previous positions at Max Sight Limited, and subsequent directorship at Max Sight International Limited and Treasure Star (China) Limited, he has accumulated experience in the operation of automatic photo booths for around 21 years. Mr. 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. Chan is a director of Causeway Treasure Holding Limited, the controlling shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Chan is the son of Mr. CHAN Wing Chai, Jamson and the elder brother of Mr. CHAN Erine Shiu Kay.

DIRECTORS AND SENIOR MANAGEMENT

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

Non-executive Directors

Mr. CHEUNG Kam Ting (張淦庭), aged 73, was appointed as a non-executive Director on 26 January 2017. He is primarily responsible for providing strategic advice to the business and operation of the Group. Mr. Cheung has been serving as a director of some of our subsidiaries including Max Sight Limited since March 1989, and Fullwise International Limited since October 1999. Mr. Cheung has over 40 years of 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. Riccardo COSTI, aged 73, was appointed as a non-executive Director on 26 January 2017. He is primarily responsible for providing strategic advice to the business and operation of the Group. Mr. Costi has been serving as a director of some of our subsidiaries, including Max Sight Limited since September 1998, Fullwise International Limited since October 1999 and Guangzhou Max Sight Photo-Me Co., Ltd 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 International Plc., the chairman of Nippon Auto-Photo Kabushiki Kaisha (Japan), a subsidiary of Photo-Me International Plc.

Independent Non-executive Directors

Mr. NGAI James (倪雅各), aged 54, was appointed as an 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.

Mr. Ngai has been a non-executive director and a chairman of the board of directors of Le Saunda Holdings Limited, 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. HUI Chi Kwan (許次鈞), aged 68, was appointed as an 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 Limited since November 2007.

Mr. KWOK Tsun Wa (郭振華), aged 71, was appointed as the 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 formulation 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.

DIRECTORS AND SENIOR MANAGEMENT

Senior management

Mr. TAM Ka Seng (譚家聲), aged 44, is the maintenance and operation manager of the Company. Mr. Tam joined the Group in July 1994. Mr. Tam is primarily responsible for supervising the maintenance and general operations of the 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.

Mr. CHAN Ernie Shiu Kay (陳少奇), aged 41, is the chief technical officer of the Company and is primarily responsible for advising on the technological requirements and technical design for the Group's projects. Mr. Chan joined the Group as a director of MV Asset Management Limited in October 2003 and resigned as the director of MV Asset Management Limited 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. Chan is the son of Mr. CHAN Wing Chai, Jamson and the younger brother of Mr. CHAN Tien Kay, Timmy.

Mr. CHUN Chi Sing, Benny (秦智聲), aged 52, is the deputy general administration manager of the Company. Mr. Chun first joined the Group in February 1994. Mr. Chun has served the Group as the deputy general manager of Max Sight Limited since April 2011. Mr. Chun is primarily responsible for the general administration, marketing and business development of the Group. Prior to serving as the deputy general manager of Max Sight Limited, he worked for Max Sight Limited 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 the 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.

Mr. WONG Chi Hong (黃子康), aged 31, is the accounting manager of the Company. Mr. Wong first joined the Group in August 2017. Mr. Wong is primarily responsible for the accounting and financial functions of the Group. Mr. Wong has over 7 years of experience in the field of auditing, accounting and taxation. Prior to joining the Group, he worked in a managerial position in the assurance department of an international accounting firm. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants.

Company Secretary

Mr. LEY Yee Chung Danny (利宜中), aged 50, was appointed as the company secretary of the Company 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 known as the City Polytechnic of Hong Kong).

Compliance Officer

Mr. CHAN Tien Kay, Timmy is the compliance officer of the Company. Please refer to the paragraph headed "Executive Directors" above in this section for details of Mr. CHAN Tien Kay, Timmy's biography.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

Principal Activities

The Company is principally operated 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. Analysis of the principal activities of the Group during the year ended 31 December 2017 is set out in the note 28 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45 of this annual report.

Final Dividends

The Directors do not recommend to declare a final dividend for the year ended 31 December 2017. Other details are set out in note 12 to the consolidated financial statements.

Business Review

A review of the Group’s business, an analysis of the Group’s performance during the year ended 31 December 2017 using financial key performance indicators and an indication of the future development in the Group’s business, are set out in the “Chairman’s Statement” on pages 4 to 5 and “Management Discussion and Analysis” on pages 6 to 9 in this annual report.

Principal Risks and Uncertainties

The Group’s financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group’s businesses. The following are the key risks and uncertainties identified by the Group:

- Agreement for the right to use the lessors’ premises for operating our automatic ID photo booths

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.

- Revenue and financial performance

The demand for the 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.

Compliance with relevant laws and regulations

The Group recognises the importance of compliance with the requirements of relevant laws and regulations which include the Companies Law of the Cayman Islands and the GEM Listing Rules. During the year ended 31 December 2017, as far as the Board and management are aware of, the Group has complied with all relevant laws and regulations. There was no material breach or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

Environmental, Social and Governance

The Group is committed to contributing to the sustainability of the environment and has implemented policies to minimise the impact on the environment from its business activities. The Group endeavors to refine the approach to addressing its environmental, social and ethical responsibilities along with improving its corporate governance in order to generate greater value for all stakeholders.

The “Environmental, Social and Governance Report” of the Company to be prepared in accordance with Appendix 20 of the GEM Listing Rules will be published within three months after the publication of this annual report.

Relationship with Stakeholders

The Group understands the importance of maintaining a good relationship with its key stakeholders, including its employees, customers and suppliers, to meet its immediate and long-term business goals. During the year ended 31 December 2017, there were no material and significant disputes between the Group and its employees, customers and suppliers.

The Group recognises employees as one of its valuable assets and strictly complies with the labour laws and regulations in Hong Kong and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance. The Group provides good quality services to its customers and keeps a database for direct communications with recurring customers for developing a long-term trusted relationship. The Group also maintains effective communication and develops a long-term business relationship with the suppliers.

Financial Summary

A summary of the Group’s results, assets and liabilities for the last three financial years is set out on page 93 of this annual report. This summary does not form part of the audited consolidated financial statements.

Use of Proceeds From the Company’s Share Offer

For the detailed information, please refer to Use of proceeds from the Company’s share offer in MANAGEMENT DISCUSSION AND ANALYSIS on page 8.

Major Customers and Suppliers

Major customers

Our target customers are consumers of the general public. Due to the nature of our business, we do not rely on any single customer for the years ended 31 December 2017 and 2016.

Major suppliers

For the year ended 31 December 2017, the Group’s two largest suppliers accounted for 100% (2016: 100%) of the Group’s total purchases and our single largest supplier is Photo-Me International Plc. which accounted for 84.2% (2016: 88.7%) of the Group’s total purchases.

Save as disclosed above, during the year ended 31 December 2017, none of the Directors or any of their close associates or any shareholders of the Company (the “**Shareholders**”) (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares) had any interest in the Group’s five largest customers and suppliers.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2017 are set out in note 14 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 24 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2017 are set out on page 47 in the consolidated statement of changes in equity.

Distributable Reserves

As at 31 December 2017, there were no reserves available for distribution.

Bank Loans and Other Borrowings

As at 31 December 2017, the Group did not have any bank loans and other borrowing.

Directors

The Directors of the Company during the year ended 31 December 2017 and up to the date of this annual report are:

Executive directors

Mr. CHAN Wing Chai, Jamson (*Chairman*)
(appointed on 26 January 2017)
Mr. CHAN Tien Kay, Timmy
(*Chief Executive Officer*)
(appointed on 26 January 2017)
Mr. WU Siu Tong (*Finance Director*)
(appointed on 26 January 2017)

Non-executive directors

Mr. CHEUNG Kam Ting
(appointed on 26 January 2017)
Mr. Riccardo COSTI
(appointed on 26 January 2017)

Independent non-executive directors

Mr. NGAI James
(appointed on 8 February 2018)
Mr. HUI Chi Kwan
(appointed on 8 February 2018)
Mr. KWOK Tsun Wa
(appointed on 8 February 2018)

In accordance with article 83(3) of the Articles of Association of the Company (the “**Articles of Association**”), any Director appointed to fill a casual vacancy on the Board shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting, or 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. Accordingly, all Directors shall hold office until the forthcoming Annual General Meeting (the “**AGM**”) and is subject to re-election.

Details of the Directors to be re-elected at the AGM will set out in the circular to the Shareholders.

Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out on pages 10 to 13 of this annual report.

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the period from 28 February 2018 (the “**Listing Date**”) to 23 March 2018 (the “**Relevant Period**”).

Directors’ Service Contracts and Letters of Appointment

Each of the executive Directors and non-executive Directors have signed a service contract with the Company for a term of three years and two years respectively commencing from the Listing Date, which may be renewable subject to both parties’ agreement.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of two years commencing from the Listing Date, which may be renewable subject to both parties’ agreement.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors’ Interests in Transactions, Arrangements or Contracts of Significance

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2017.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

Emolument Policy

A remuneration committee was set up for reviewing the Group’s emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group’s operating results, individual performance of the directors and senior management and comparable market practices.

Details of the emoluments of the Directors, and five highest paid individuals during the year ended 31 December 2017 are set out in note 8 to the consolidated financial statements.

Retirement and Employee Benefits Scheme

Details of the retirement and employee benefits scheme of the Company are set out in note 27 to the consolidated financial statements.

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As the Company was not listed on the Stock Exchange as at 31 December 2017, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") and section 352 of the SFO were not applicable to the Directors or chief executive of the Company as at 31 December 2017.

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

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

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

Note:

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

REPORT OF DIRECTORS

2. Interests/short positions in the shares or debentures of the associated corporations of the Company

Name of Directors	Name of associated corporation	Capacity/Nature of Interest	Approximate shareholding percentage in the relevant shares in the associated corporation
Mr. CHAN Wing Chai, Jamson	Causeway Treasure	Beneficial owner ⁽¹⁾	47.25%
Mr. CHAN Tien Kay, Timmy	Causeway Treasure	Beneficial owner ⁽¹⁾	47.25%

Note:

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

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

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As the Company was not listed on the Stock Exchange as at 31 December 2017, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as at 31 December 2017.

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

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company
Causeway Treasure	Beneficial owner ⁽¹⁾	427,600,560	Long	53.45%
Ms. AU-YEUNG Ying Ho	Interest in a controlled corporation ⁽²⁾	427,600,560	Long	53.45%
Photo-Me International Plc.	Beneficial owner	109,972,500	Long	13.75%

Notes:

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

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

Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the share option scheme (the “**Share Option Scheme**”) conditionally approved and adopted by the written resolutions of the Shareholders passed on 8 February 2018.

1. Purpose

The purpose of the Share Option Scheme is to motivate the Eligible Persons (as defined in the paragraph (2) below) to optimize their future contributions to the 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 the Group, and additionally in the case of Executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Eligible Persons

The Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of the Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the 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 the Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group, or any advisory, consultancy, professional or other services to any member of the 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. Acceptance of an offer of options

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 the 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.

4. Maximum number of Shares

The maximum number of Shares to be issued upon exercise of all share options (the “**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 from time to time provided that the Company may at any time as the 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 the 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.

The maximum number of Shares to be issued upon exercise of all 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.

5. Subscription price of Shares

The subscription price in respect of any particular Share Option shall be such price as the 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 Shares;
- (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 the reorganization of capital structure.

6. Duration

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. However, the 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.

From the Listing Date and up to the date of this annual report, no options have been granted or agreed to be granted under the Share Option Scheme.

Equity-Linked Agreements

Saved for the Share Option Scheme as set out in this annual report, no equity-linked agreement that would or might result in the Company issuing Shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing Shares, was entered into by the Company during the year or subsisted at the end of the year.

Purchase, Sale or Redemption of Listed Securities

As the Shares had not been listed on the Stock Exchange as at 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Non-Competition Undertaking

Pursuant to the deed of non-competition dated 6 July 2017 (“**Photo-Me Deed of Non-competition**”) entered into by Photo-Me International Plc. (the “**Substantial Shareholder**”) and the deed of non-competition dated 8 February 2018 (“**Deed of Non-competition**”) entered into by Mr. CHAN Wing Chai, Jamson, Mr. CHAN Tien Kay, Timmy and Ms. AU-YEUNG Ying Ho and Causeway Treasure (collectively, the “**Controlling Shareholders**”) in favour of the Company, each of the Controlling Shareholders and the Substantial Shareholder has irrevocably undertaken to the Company (for itself and on behalf of each other member of the Group) that he/she/it would not, and would procure that his/her/its close associates (except any members of the Group) would not, during the restricted period set out below, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition with the business currently carried on or contemplated to be carried on by any member of the Group (the “**Restricted Business**”). For details of the above, please refer to the prospectus of the Company dated 15 February 2018.

The Company has received confirmations from the Substantial Shareholder and Controlling Shareholders confirming their compliance with the Photo-Me Deed of Non-competition and the Deed of Non-competition respectively during the Relevant Period for disclosure in this annual report.

The independent non-executive Directors have reviewed the compliance with the Photo-Me Deed of Non-competition and the Deed of Non-competition during the Relevant Period based on the information and confirmation provided by or obtained from the Substantial Shareholder and Controlling Shareholders, and were satisfied that the Substantial Shareholder and Controlling Shareholders have duly complied with the Photo-Me Deed of Non-competition and the Deed of Non-competition.

Directors’ Interest in Competing Business

Save as disclosed in this annual report, during the year ended 31 December 2017 and as at the Listing Date, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Continuing Connected Transactions

Master supply agreement

The Company entered into the master supply agreement with Photo-Me International Plc. on 9 July 2017 (the “**Master Supply Agreement**”) (as amended and supplemented by a supplemental agreement dated 7 November 2017), pursuant to which, the Photo-Me International Plc. and its subsidiaries have 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 International Plc. 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 the 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 the 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 the Company.

The Group is satisfied with the products provided by Photo-Me International Plc. and its subsidiaries, in terms of product quality, technology advancement and delivery time, supported by the stable business relationships between the Photo-Me International Plc. and its subsidiaries and the Group for more than 24 years starting from 1993, and the Photo-Me International Plc. and its subsidiaries has provided us with a constant and timely supply of the products during the year ended 31 December 2017.

Annual caps

The maximum aggregated annual caps for the transaction contemplated with Photo-Me International Plc. and its subsidiaries for the year ended 31 December 2017 shall not exceed the following caps:

	Annual caps for the year ended 31 December 2017
	HK\$'000
Transaction amount of purchase of the photo booths and spare parts from Photo-Me International Plc. and its subsidiaries	3,065
Transaction amount of purchase of the photo booth consumables from Photo-Me International Plc. and its subsidiaries	603
Maximum aggregate transaction amounts with Photo-Me International Plc. and its subsidiaries	3,668

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. The 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 the prospectus dated 15 February 2018.

For the year ended 31 December 2017, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed that the transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company has performed certain pre-determined audit procedures regarding the continuing connected transactions entered into by the Group during the year ended 31 December 2017 as set out above and states that:

- (1) the transactions have been approved by the Board;
- (2) the transactions were, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
- (3) the transactions were entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (4) the aggregate amounts of the transactions have not exceeded the relevant annual caps as disclosed in the prospectus of the Company dated 15 February 2018.

Donations

During the year ended 31 December 2017, the Group made no charitable and other donations.

Significant Legal Proceedings

For the year ended 31 December 2017, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

Permitted Indemnity Provision

The Company has arranged for appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

REPORT OF DIRECTORS

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duties.

Subsequent Events

The material post balance sheet events are disclosed in note 34 to the consolidated financial statements.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) had, together with the management and external auditor of the Company (the “**Auditor**”), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2017.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 40 of this annual report.

The compliance officer of the Company is Mr. CHAN Tien Kay, Timmy, whose biographical details are set out on page 10. The company secretary is Mr. LEY Yee Chung, Danny who satisfies the qualification requirement under Rules 5.14 and 11.07 of the GEM Listing Rules as the company secretary of the Company. Mr. Ley’s biographical details are set out on page 13.

Interests of Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Octal Capital

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

Sufficiency of Public Float

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company’s total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the GEM Listing Rules, was held by the public at all times during the Relevant Period and up to the date of this annual report.

Auditors

Deloitte Touche Tohmatsu was appointed as the Auditor for the year ended 31 December 2017. The accompanying financial statements prepared in accordance with HKFRSs have been audited by Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu shall retire at the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as Auditor will be proposed at the AGM.

On behalf of the Board

CHAN Wing Chai, Jamson

Chairman and Executive Director

Hong Kong, 23 March 2018

Corporate Governance Practice

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. During the period from the Listing Date up to the date of this annual report, the Company has applied the principles as set out in the CG Code contained in Appendix 15 to the GEM Listing Rules which are applicable to the Company.

The Board Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established three Board committees including the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) (together, the “**Board Committees**”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors had carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board composition

The Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

Executive Directors:

Mr. CHAN Wing Chai, Jamson
Mr. CHAN Tien Kay, Timmy
Mr. WU Siu Tong

Non-executive Directors:

Mr. CHEUNG Kam Ting
Mr. Riccardo COSTI

Independent Non-executive Directors:

Mr. NGAI James
Mr. HUI Chi Kwan
Mr. KWOK Tsun Wa

The biographies of the Directors are set out under the section headed “Directors and Senior Management” of this annual report.

During the period from the Listing Date and up to the date of this annual report, the Board has met at all times the requirements under rules 5.05(1) and 5.05(2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

The Company has also complied with rule 5.05A of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board Diversity Policy (the "**Board Diversity Policy**") to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, gender, age, culture and educational background, ethnicity, professional experience, skills, language, background, education knowledge, industry experience and professional experience. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. The Board diversity policy is summarized below:

Board Diversity Policy

As at the date of this annual report, the Board has adopted the Board Diversity Policy and discussed all measurable objectives set for implementing the Board Diversity Policy.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture and educational background, ethnicity, professional experience, skills, language, background, education knowledge, industry experience and professional experience.

As each of the independent non-executive Directors has confirmed his independence pursuant to rule 5.09 of the GEM Listing Rules, the Company considers all of them to be independent parties.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Directors and the chief executive of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the Company, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Group's operations and businesses as well as his responsibilities under relevant statutes, laws, rules and regulations. The Company also provides regular updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge his duties.

Directors are encouraged to participate in continuous professional development seminars to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided the Directors with written training materials relating to the roles, functions and duties of a director of a listed issuer on GEM of the Stock Exchange.

This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2017, all Directors and company secretary have participated in continuous professional development by attending conferences, reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The chairman of the Board and the chief executive officer of the Company (the "**Chief Executive Officer**") are currently two separate positions held by Mr. CHAN Wing Chai, Jamson and Mr. CHAN Tien Kay, Timmy, respectively, with clear distinction in responsibilities. Mr. CHAN Wing Chai, Jamson is responsible for devising strategies for the continuous development of the Group, overseeing the Group's business operations and financial performance, as well as leading the Board in performing its functions. While Mr. CHAN Tien Kay, Timmy is responsible for managing the overall business operations and executing business strategies of the Group.

Terms of Appointment and Re-Election of Directors

Each of the executive Directors and non-executive Directors has signed a service contract with the Company for an initial term of three years and two years respectively commencing from the Listing Date, which is renewable automatically for successive terms of three years subject to termination as provided in the service contract.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of two years commencing from the Listing Date, which may be renewable subject to both parties' agreement.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board Committees members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the relevant Board Committees prior to the meeting. Minutes of the meetings are kept by the company secretary with copies circulated to all Directors to the relevant Board Committees members for information and records.

Minutes of the Board meetings and Board Committees meetings are recorded in sufficient details about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors or the Board Committees members. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors or the Board Committees members for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings and the Board Committees are open for inspection by Directors.

During the period from the Listing Date and up to the date of this annual report, one board meeting and no general meeting were held and the attendance of each Director at this board meeting is set out in the table below:

Directors	Board meeting(s) attended/held
Executive Directors:	
Mr. CHAN Wing Chai, Jamson	1/1
Mr. CHAN Tien Kay, Timmy	1/1
Mr. WU Siu Tong	1/1
Non-executive Directors:	
Mr. CHEUNG Kam Ting	1/1
Mr. Riccardo COSTI	1/1
Independent Non-executive Directors:	
Mr. NGAI James	1/1
Mr. HUI Chi Kwan	1/1
Mr. KWOK Tsun Wa	1/1

Compliance with the Required Standards of Dealings in Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions in the securities of the Company. As the Company was not listed on the Stock Exchange as at 31 December 2017, the provisions under the GEM Listing Rules in relation to the required standard of dealings were not applicable to the Company for the year ended 31 December 2017.

The Company has made specific enquiries to all Directors about their compliance with the required standard of dealings from the Listing Date and up to the date of this annual report, without noticing any violation of the required standard.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors are provided with sufficient resources to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

- (a) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to develop, review and monitor the codes of conduct and compliance manuals applicable to employees and the Directors;
- (d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board on such matters;
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

Board Committees

Audit committee

The Audit Committee comprises three members, namely Mr. NGAI James (chairman), Mr. HUI Chi Kwan and Mr. KWOK Tsun Wa, all of them are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

1. To review the relationship with the Auditor by reference to the work performed by the Auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the Auditor;
2. To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the Auditor before submission to the Board; and
3. To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

As the Audit Committee was established and the Shares were listed on GEM of the Stock Exchange on the Listing Date which is after the year end of 2017, the Audit Committee did not have any meeting and did not meet the Company's external auditors during the year ended 31 December 2017.

During the period from the Listing Date up to the date of this annual report, the Audit Committee had one meeting with the auditor of the Company to discuss the annual audit for the year ended 31 December 2017 with the following matters:

- reviewed the final results of the Group for the year ended 31 December 2017 as well as the audit report prepared by the Auditor relating to accounting issues and major findings in course of audit; and
- reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the Auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor.

The attendance of each Audit Committee member at this meeting is set out in the table below:

Audit Committee member	Meeting attended/held
Mr. NGAI James	1/1
Mr. HUI Chi Kwan	1/1
Mr. KWOK Tsun Wa	1/1

The Company will comply with the CG Code to hold at least two meetings of the Audit Committee annually for the year ending 31 December 2018 onwards.

Nomination committee

The Nomination Committee currently comprises three members, namely Mr. CHAN Wing Chai, Jamson (chairman), Mr. NGAI James and Mr. KWOK Tsun Wa, the majority of the committee is comprised by independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors; and
4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer of the Company.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

As the Nomination Committee was established and the Shares listed on GEM of the Stock Exchange on the Listing Date which is after the year end of 2017, the Nomination Committee did not have any meeting during the year ended 31 December 2017.

During the period from the Listing Date up to the date of this annual report, the Nomination Committee had one meeting to assess the independence of independent non-executive Directors and consider the re-appointments of the retiring Directors.

The Company will comply with the CG Code to hold at least one meeting of the Nomination Committee annually for the year ending 31 December 2018 onwards.

Pursuant to code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. On 23 March 2018, the Board adopted the Board Diversity Policy, a summary of which is set out below:

1. In considering the composition of the Board, the Board is of the view that diversity can be considered from a number of perspectives, including professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge and reputation, gender, ethnicity, language skills and length of service;
2. The above perspectives shall be taken into account in determining the optimal composition of the Board and where possible, should be balanced among one another as appropriate;

CORPORATE GOVERNANCE REPORT

3. Appointments to the Board should be made based on merits and the contributions that the individual is expected to bring to the Board, with due regard to the benefits of diversity in the Board; and
4. The Nomination Committee shall review the board diversity policy and make recommendations to the Board on amendments to the board diversity policy (if any) as appropriate.

The attendance of each Nomination Committee member at this meeting is set out in the table below:

Nomination Committee member	Meeting attended/held
Mr. CHAN Wing Chai, Jamson	1/1
Mr. NGAI James	1/1
Mr. KWOK Tsun Wa	1/1

Remuneration committee

The Remuneration Committee comprises three members, namely Mr. NGAI James (chairman), Mr. HUI Chi Kwan and Mr. CHAN Tien Kay, Timmy, the majority of the committee is comprised by independent non-executive Directors.

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board, and assess performance of executive Directors and the terms of their service agreements;
3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. to make recommendations to the Board on the remuneration of non-executive Directors;
5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
8. to ensure that no Director or any of his associates (as defined in the GEM Listing Rules) is involved in deciding his own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

As the Remuneration Committee was established and the Shares were listed on GEM of the Stock Exchange on the Listing Date which is after the year end of 2017, The Remuneration Committee did not have any meeting during the year ended 31 December 2017.

During the period from the Listing Date up to the date of this annual report, the Remuneration Committee had one meeting to discuss and review the remuneration packages for Directors and senior management of the Company, and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company.

The Company will comply with the CG Code to hold at least one meeting of the Remuneration Committee annually for the year ending 31 December 2018 onwards.

The attendance of each Remuneration Committee member at this meeting is set out in the table below:

Remuneration Committee member	Meeting attended/held
Mr. NGAI James	1/1
Mr. HUI Chi Kwan	1/1
Mr. CHAN Tien Kay, Timmy	1/1

Remuneration of directors and senior management

Particulars of the remuneration of the Directors and the five highest individuals for the year ended 31 December 2017 are set out in note 8 to the consolidated financial statements. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior

management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the year ended 31 December 2017 by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to HK\$1,000,000	4

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2017 which give a true and fair view of the affairs of the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with quarterly updates on Group's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the independent auditor's report on pages 41 to 44 of this annual report.

Risk Management and Internal Control

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Board has entrusted the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covered all material controls, including financial, operational and compliance controls. During the year ended 31 December 2017, the Board has conducted a review of the effectiveness of the risk management and internal control systems and considered they are effective and adequate.

Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The main features of risk management and internal control structure of the Company is as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit Committee;
- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and
- Internal audit provide independent assurance to the Board, the Audit Committee and the management concerning the effectiveness of risk management and internal control systems.

During the Relevant Period, major works performed by the management in relation to risk management and internal control include the following:

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group's performance; assessing and evaluating the identified risks according their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;
- the management, together with the controller's department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;
- the management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were given to all major risks identified;

- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and
- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. are in place.

Auditor's Remuneration

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended 31 December 2017 was approximately as follows:

Type of Services	Amount (HK\$'000)
Audit services	1,100
Services for acting as reporting accountant for the Listing	2,870
Total	3,970

Company Secretary

Mr. LEY Yee Chung, the company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Mr. Ley is not engaged as an employee of the Company, but is an external service provider as the company secretary of the Company. Pursuant to code provision F.1.1 of the CG 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. CHAN Tien Kay, Timmy as the contact point for Mr. Ley.

For the year ended 31 December 2017, Mr. Ley has undertaken not less than 15 hours of relevant professional training respectively in compliance with rule 5.15 of the GEM Listing Rules.

Communication with Shareholders and Investor Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The general meetings of the Company provide opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees will attend the annual general meetings to answer Shareholders' questions. The Auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.maxsightgroup.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or company secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 14th Floor, McDonald's Building, 48 Yee Wo Street, Causeway Bay, Hong Kong.

Change in Constitutional Documents

The Company has adopted an Amended and Restated Memorandum and Articles of Association pursuant to written resolutions passed by all Shareholders on 8 February 2018 when preparing for the listing of the shares of the Company on the Stock Exchange. The Amended and Restated Memorandum and Articles of Association became effective on the Listing Date. In 2018, the Company made changes to its Memorandum and Articles of Association on 8 February 2018. An up-to-date version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

Language

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

Deloitte.

德勤

TO THE SHAREHOLDERS OF 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)

Opinion

We have audited the consolidated financial statements of Max Sight Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 45 to 92, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>We identified revenue recognition as a key audit matter due to its significant amount to the consolidated financial statements.</p> <p>Revenue from the sales of goods is recognised when goods are delivered and titles have passed. The accounting policy for revenue recognition is disclosed in note 4 to the consolidated financial statements.</p> <p>The Group recognised revenue of approximately HK\$46,491,000 for the year ended 31 December 2017 as set out in note 6 to the consolidated financial statements.</p>	<p>Our procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the revenue process and the key controls that management has in place over revenue recognition; and • Checking sales transactions, on a sample basis, against source documents including sales reports and revenue meter records.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this annual report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yu Kin Man.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Revenue	6	46,491	47,453
Cost of sales		(25,983)	(26,643)
Gross profit		20,508	20,810
Other income	7	158	7
Other gains and losses, net	7	65	(141)
Administrative expenses		(9,211)	(9,585)
Finance costs	9	(9)	(15)
Listing expenses		(11,268)	–
Profit before taxation	10	243	11,076
Income tax expense	11	(2,076)	(2,076)
(Loss) profit for the year		(1,833)	9,000
Other comprehensive income (expense) for the year			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation		245	(136)
Total comprehensive (expense) income for the year		(1,588)	8,864
(Loss) profit for the year attributable to:			
Owners of the Company		(3,486)	5,976
Non-controlling interests		1,653	3,024
		(1,833)	9,000
Total comprehensive (expense) income attributable to:			
Owners of the Company		(3,293)	5,911
Non-controlling interests		1,705	2,953
		(1,588)	8,864
(Loss) earnings per share			
– Basic (HK cents)	13	(0.68)	1.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment	14	2,556	3,011
Deposits	16	4,929	1,366
		7,485	4,377
Current assets			
Inventories		280	603
Trade receivables	15	702	684
Other receivables, deposits and prepayments	16	4,312	1,851
Amount due from a related company	17	–	129
Amount due from a director	17	–	271
Bank balances and cash	18	12,746	24,543
		18,040	28,081
Current liabilities			
Trade payables	19	–	9
Other payables and accrued charges	20	5,490	3,121
Dividend payables		10,800	–
Amount due to a director	17	–	230
Obligation under finance lease	21	183	214
Tax payable		745	1,105
		17,218	4,679
Net current assets		822	23,402
Non-current liabilities			
Deferred tax liabilities	23	130	156
Obligation under finance lease	21	–	183
		130	339
Net assets		8,177	27,440
Capital and reserves			
Share capital	24	10	2,453
Reserves		8,167	14,040
Equity attributable to owners of the Company		8,177	16,493
Non-controlling interests		–	10,947
Total equity		8,177	27,440

The consolidated financial statements on pages 45 to 92 were approved and authorised for issue by the Board of Directors on 23 March 2018 and are signed on its behalf by:

CHAN WING CHAI, JAMSON
DIRECTOR

CHAN TIEN KAY, TIMMY
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company							
	Share capital	Share premium	Translation reserve	Accumulated profits (losses)	Other reserve	Total	Non-controlling interests	Total
At 1 January 2016	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 (note 12)	-	-	-	(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 year	-	-	-	(3,486)	-	(3,486)	1,653	(1,833)
Other comprehensive income for the year	-	-	193	-	-	193	52	245
Profit (loss) and other comprehensive income (expense) for the year	-	-	193	(3,486)	-	(3,293)	1,705	(1,588)
Dividend (note 12)	-	-	-	(11,079)	-	(11,079)	(6,596)	(17,675)
Reorganisation (Note)	(2,443)	14,163	-	-	(5,664)	6,056	(6,056)	-
At 31 December 2017	10	14,163	162	(494)	(5,664)	8,177	-	8,177

Note: Upon the completion of the Reorganisation (as defined in note 2) on 6 July 2017, Max Sight, MV Asset, Fullwise, Treasure Star and Max Sight International (as detailed and defined in note 2) have become indirect wholly-owned subsidiaries of Max Sight Group Holdings Limited (the "Company"). Details of the Reorganisation are set out in note 2.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 HK\$'000	2016 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	243	11,076
Adjustments for:		
Depreciation of property, plant and equipment	1,179	1,088
Loss on disposal of property, plant and equipment	–	21
Finance costs	9	15
Interest income	(8)	(7)
Operating cash flows before movements in working capital	1,423	12,193
Decrease (increase) in inventories	323	(358)
(Increase) decrease in trade receivables	(18)	273
Decrease (increase) in other receivables, deposits and prepayments	298	(1,352)
Decrease in trade payables	(9)	(13)
Increase in other payables and accrued charges	1,530	902
Cash generated from operations	3,547	11,645
Income tax paid	(2,462)	(1,770)
NET CASH FROM OPERATING ACTIVITIES	1,085	9,875
INVESTING ACTIVITIES		
Deposits paid for acquisition of property, plant and equipment	(3,061)	–
Purchases of property, plant and equipment	(624)	(1,182)
Decrease (increase) in amount due from a related company	129	(1)
Interest received	8	7
Repayment from a director	271	2,848
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(3,277)	1,672

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 HK\$'000	2016 HK\$'000
FINANCING ACTIVITIES			
Repayment of obligation under finance lease	22	(214)	(207)
Repayment to advance from a director	22	(230)	–
Dividend paid	22	(6,875)	(4,000)
Interest paid	22	(9)	(15)
Share issue costs paid	22	(2,312)	(250)
NET CASH USED IN FINANCING ACTIVITIES		(9,640)	(4,472)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
		(11,832)	7,075
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		24,543	17,533
EFFECT OF FOREIGN CURRENCY RATE CHANGES			
		35	(65)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH			
		12,746	24,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. General

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 shares of the Company (the “Shares”) have been listed on GEM of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 28 February 2018. Its ultimate and immediate holding company is Causeway Treasure Holding Limited (“Causeway Treasure”), an entity incorporated in the British Virgin Islands (the “BVI”). The address of the Company’s registered office and the principal place of business is 14th Floor, McDonald’s Building, 48 Yee Wo Street, Causeway Bay, Hong Kong.

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

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

2. Group Reorganisation and Basis of Preparation and Presentation of the Consolidated Financial Statements

In preparation of the listing of the Company’s shares on the GEM of the Stock Exchange (the “Listing”), the companies now comprising the Group underwent a reorganisation which involves setting up of the Company as new parent company of the Group (the “Reorganisation”). Historically and prior to the completion of the Reorganisation, the companies now comprising the Group were ultimately controlled by Mr. CHAN Wing Chai, Jamson, Mr. CHAN Tien Kay, Timmy and Ms. AU-YEUNG Ying Ho (collectively referred to as the “Controlling Shareholders”). Mr. CHAN Tien Kay, Timmy is the son of Mr. CHAN Wing Chai, Jamson and Ms. AU-YEUNG 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.

The principal steps of the Reorganisation are as below.

- i) Causeway Treasure was incorporated with limited liability on 24 May 2017 in the BVI. On 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, 4,725 shares, and 550 shares, were allotted, issued and credited as fully-paid to each of Mr. CHAN Wing Chai, Jamson, Mr. CHAN Tien Kay, Timmy and Ms. AU-YEUNG 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. CHAN Tien Kay, Timmy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. Group Reorganisation and Basis of Preparation and Presentation of the Consolidated Financial Statements (continued)

- iii) Max Sight (BVI) Limited (“Max Sight (BVI)”) was incorporated with limited liability in the 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 the 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. CHAN Wing Chai, Jamson, Mr. CHAN Wing Chai, Jamson and Ms. AU-YEUNG Ying Ho as joint holders, Mr. CHEUNG Kam Ting 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 Kam Ting 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. CHAN Wing Chai, Jamson and Max Sight 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, Photo-Me and Big Star Properties Limited (“Big Star”), a company was owned as to 50% by Mr. CHAN Tien Kay, Timmy and 50% by Ms. AU-YEUNG Ying Ho 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 Kam Ting, 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. CHAN Tien Kay, Timmy by issuing and allotting 449,997 shares of the Company, credited as fully paid, to Causeway Treasure.

2. Group Reorganisation and Basis of Preparation and Presentation of the Consolidated Financial Statements (continued)

- ix) On 6 July 2017, Treasure Star (China) acquired the entire issued share capital of Max Sight International Limited (“Max Sight International”) from Mr. CHAN Tien Kay, Timmy and Kwide Foong Limited, a company indirectly wholly-owned by Mr. CHAN Tien Kay, Timmy 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 Kam Ting, 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 2017 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 consolidated financial statements have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting For Common Control Consolidations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for both years 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 both years or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2016 has 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 that date taking into account the respective dates of incorporation, where applicable.

Non-controlling interests comprise of Mr. CHEUNG Kam Ting’s interests in Max Sight, Fullwise and MV Asset and Photo-Me’s interests in Max Sight and Fullwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. Application of Hong Kong Financial Reporting Standards (“HKFRSs”)

For the purpose of preparing and presenting the consolidated financial statements for both years, 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.

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 ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance contracts ⁴
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ³
Amendments to HKFRS 9	Prepayment features with negative compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and it associate or joint venture ³
Amendments to HKAS 28	Long-term interests in associates and joint ventures ²
Amendments to HKAS 28	As part of the Annual improvements to HKFRSs 2014 – 2016 cycle ¹
Amendments to HKAS 40	Transfer of investment property ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 cycle ¹
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration ¹
HK(IFRIC) – Int 23	Uncertainty over income tax treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

3. Application of Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

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, they 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. 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 December 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. Application of Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

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.

3. Application of Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKFRS 16 “Leases” (continued)

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 December 2017 is amounted to HK\$19,078,000. 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 consolidated 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\$2,211,000 as at 31 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. Application of Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKFRS 16 “Leases” (continued)

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 consolidated financial statements.

4. Significant Accounting Policies

The consolidated financial statements have 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 consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM 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 these consolidated financial statements are 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.

4. Significant Accounting Policies (continued)

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate 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 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in change in the Group's control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. Significant Accounting Policies (continued)

Merger accounting for business consolidation involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control consolidation occurs as if they had been consolidated 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 consolidated 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 consolidation, 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.

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.

4. Significant Accounting Policies (continued)

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. Significant Accounting Policies (continued)

Impairment loss on assets other than financial assets (continued)

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 fair 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. 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 statement 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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

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 definition 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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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.

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 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 are 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.

4. Significant Accounting Policies (continued)

Taxation (continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement 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 consolidated financial statements 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).

4. Significant Accounting Policies (continued)

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. 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).

5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, 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 financial year, 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 14 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 in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

6. 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 operation is solely derived from sales of photos in Hong Kong and Guangdong Province, PRC during both years. 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 4. 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		As at 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note)	(Note)
Hong Kong	40,826	41,725	1,270	1,492
PRC	5,665	5,728	4,347	1,519
	46,491	47,453	5,617	3,011

Note: Non-current assets excluded financial instruments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

7. Other Income and Other Gains and Losses, Net

Other income

	2017 HK\$'000	2016 HK\$'000
Interest income	8	7
Trading of photo booths (<i>Note</i>)	150	–
	158	7

Other gains and losses, net

	2017 HK\$'000	2016 HK\$'000
Loss on disposal of property, plant and equipment	–	(21)
Net exchange gain (loss)	65	(120)
	65	(141)

Note: Amount represents one-off transaction with a customer to supply two photo booths.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

8. Directors' and Employees' Emoluments

(a) Directors' and chief executive's emoluments

Mr. CHAN Tien Kay, Timmy, Mr. CHAN Wing Chai, Jamson, Mr. WU Siu Tong, Mr. CHEUNG Kam Ting and Mr. Riccardo 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 as follows:

	Executive directors		Non-executive directors			Total HK\$'000
	Mr. CHAN Tien Kay, Timmy HK\$'000 (Note (a))	Mr. CHAN Wing Chai, Jamson HK\$'000 (Note (a))	Mr. WU Siu Tong HK\$'000 (Note (a))	Mr. CHEUNG Kam Ting HK\$'000 (Note (b))	Mr. Riccardo COSTI HK\$'000 (Note (b))	
Year ended 31 December 2017						
Fees	1,000	200	-	-	-	1,200
Other emoluments						
Salaries	259	640	-	-	-	899
Bonus (Note (c))	4	50	-	-	-	54
Retirement benefit scheme contributions	27	110	-	-	-	137
Allowance and other benefits	-	66	355	-	-	421
Total emoluments	1,290	1,066	355	-	-	2,711
Year ended 31 December 2016						
Fees	1,000	200	-	-	-	1,200
Other emoluments						
Salaries	258	9	-	-	-	267
Bonus (Note (c))	35	404	-	-	-	439
Retirement benefit scheme contributions	28	84	-	-	-	112
Allowance and other benefits	-	66	69	-	-	135
Total emoluments	1,321	763	69	-	-	2,153

8. Directors' and Employees' Emoluments (continued)

(a) Directors' and chief executive's emoluments (continued)

Notes:

- (a) The emoluments of executive directors were mainly for their services in connection with management of the affairs of the Company and the Group.
- (b) The emoluments of the non-executive directors were mainly for their services in connection with management of the affairs of the Company.
- (c) Director's bonus is granted based on profit before tax of Max Sight for both years.

During both years, 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 both years.

(b) Employees' emoluments

The five highest paid individuals included two directors of the Company whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining three individuals respectively, were as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other benefits	1,309	1,076
Bonus (<i>Note</i>)	76	91
Retirement benefit scheme contributions	70	66
	1,455	1,233

Their emoluments were within the following bands:

	2017	2016
Nil to HK\$1,000,000	3	3

Note: Discretionary bonus is granted based on profit before tax of Max Sight for both years.

During both years, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

9. Finance Costs

	2017	2016
	HK\$'000	HK\$'000
Interest on finance lease	9	15

10. Profit Before Taxation

	2017	2016
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,100	200
Depreciation of property, plant and equipment	1,179	1,088
Directors' remuneration (<i>note 8</i>)	2,711	2,153
Other staff costs		
Salaries and other benefits	5,683	6,257
Retirement benefits scheme contributions	366	328
Total staff costs	8,760	8,738
Lease and licensing payments under operating leases in respect of land and buildings		
– Minimum lease payment	9,246	8,275
– Contingent rent	12,360	13,917
Total lease and licensing payments	21,606	22,192
Cost of inventories recognised as an expense	1,079	1,092

11. Income Tax Expense

	2017 HK\$'000	2016 HK\$'000
Hong Kong Profits Tax:		
– Current tax	1,759	1,530
– Overprovision in prior years	(40)	–
	1,719	1,530
PRC Enterprise Income Tax:		
– Current tax	363	486
– Underprovision in prior years	20	–
	383	486
Deferred tax (credit) expense (<i>note 23</i>)	(26)	60
	2,076	2,076

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The taxation charges of the PRC Enterprise Income Tax for both years have 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 both years can be reconciled to the profit before taxation as follows:

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	243	11,076
Tax at the domestic income tax rate of 16.5%	40	1,828
Tax effect of income not taxable for tax purpose	(15)	(1)
Tax effect of expenses not deductible for tax purpose	1,949	84
Overprovision in prior years	(20)	–
Effect of different tax rate of subsidiary operating in other jurisdiction	122	165
Tax charge for the year	2,076	2,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

12. Dividend

No dividend was paid or declared by the Company since its incorporation, nor has any dividend been proposed since 31 December 2017.

Dividends declared and paid by the Group during the year ended 31 December 2017 and 2016 were as follows:

	2017	2016
	HK\$'000	HK\$'000
Max Sight	4,000	4,000
MV Asset	125	–
Treasure Star	2,750	–

During the year ended 31 December 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 December 2017.

Other than disclosed above, no dividend was paid or declared by any group entity during both years.

13. (Loss) Earnings per Share

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

	2017	2016
	HK\$'000	HK\$'000
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share		
– (Loss) profit for the year attributable to the owners of the Company	(3,486)	5,976
	'000	'000
Weighted average number of shares:		
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	512,147	427,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

13. (Loss) Earnings per Share (continued)

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue as defined and described in notes 2 and 34 respectively had been effective on 1 January 2016.

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

14. Property, Plant and Equipment

	Computer software	Computer equipment	Office equipment	Furniture and fixture	Plant and machinery	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST							
As at 1 January 2016	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	-	192	-	193
Additions	2	9	15	96	502	-	624
As at 31 December 2017	950	182	163	747	9,024	1,411	12,477
ACCUMULATED DEPRECIATION							
As at 1 January 2016	(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	-	-	(1)	-	(92)	-	(93)
Provided	-	(2)	(3)	(51)	(864)	(259)	(1,179)
As at 31 December 2017	(948)	(175)	(151)	(684)	(6,623)	(1,340)	(9,921)
CARRYING AMOUNTS							
As at 31 December 2016	-	-	-	18	2,663	330	3,011
As at 31 December 2017	2	7	12	63	2,401	71	2,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

14. Property, Plant and Equipment (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Computer software	25%
Computer equipment	25%
Office equipment	25%
Furniture and fixtures	25%
Plant and machinery	20%
Motor vehicles	33.33%

The carrying amount of motor vehicles of HK\$71,000 as at 31 December 2017 (2016: HK\$330,000) is being the asset held under finance lease.

15. Trade Receivables

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

	2017	2016
	HK\$'000	HK\$'000
0 – 20 days	702	684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

16. Other Receivables, Deposits and Prepayments

	2017	2016
	HK\$'000	HK\$'000
Rental and utilities deposits	2,211	2,208
Prepayments	289	1,000
Other receivables	360	9
Deferred issue costs	3,320	–
Deposits for acquisition of property, plant and equipment	3,061	–
Total	9,241	3,217
Presented as non-current assets	4,929	1,366
Presented as current assets	4,312	1,851
Total	9,241	3,217

As at 31 December 2017, the balance includes an aggregate amount of approximately HK\$780,000 (2016: nil) in relation to the deposits for the acquisition of property, plant and equipment placed to a subsidiary of Photo-Me.

17. 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 are repayable on demand.

Details of the Group's amounts due from a related company/a director, which are non-trade nature, are as follows:

Name	As at 31 December		Maximum amount outstanding	
	2017	2016	Year ended 31 December	2016
	HK\$'000	HK\$'000	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. CHAN Wing Chai, Jamson (Note (i))	–	271	271	3,649
Pinnacle Vision Limited (Note (ii))	–	129	129	130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

17. Amounts due from (to) a Related Company/a Director (continued)

Amounts due from a related company/director (continued)

Notes:

- (i) Mr. CHAN Wing Chai, Jamson 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. CHAN Wing Chai, Jamson.

Amount due to a director

	2017	2016
	HK\$'000	HK\$'000
Amount due to Mr. CHAN Tien Kay, Timmy	–	230

Amount was non-trade nature, unsecured, interest-free and repayable on demand.

18. 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 as at 31 December 2017 (2016: 0.01% to 0.02% per annum).

19. 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:

	2017	2016
	HK\$'000	HK\$'000
Trade payables:		
0 – 30 days	–	9

As at 31 December 2016, the balance represented HK\$9,000 in relation to the purchase of consumables from a subsidiary of Photo-Me.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

20. Other Payables and Accrued Charges

	2017	2016
	HK\$'000	HK\$'000
Accrued expenses	470	310
Accrued listing expenses	3,159	–
Salaries payables and provision for bonus	429	1,260
Machine licence fee payable	542	504
Photo validation fee payable	163	78
Other lease and licence fee payables	454	891
Other payables	232	41
Other tax payables	41	37
	5,490	3,121

As at 31 December 2017, the balance included an aggregate amount of approximately HK\$155,000 (2016: nil) in relation to the purchase of photo booths from a subsidiary of Photo-Me.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 as at 31 December 2017 is fixed at the contract date of 3.08% (2016: 3.08%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Obligation under finance lease payable:				
Within one year	186	223	183	214
Within a period of more than one year but not more than two years	–	186	–	183
Within a period of more than two years but not more than five years	–	–	–	–
	186	409	183	397
Less: Future finance charges	(3)	(12)	N/A	N/A
Present value of lease obligation	183	397	183	397
Less: Amount due for settlement within twelve months (shown under current liabilities)			(183)	(214)
Amount due for settlement after twelve months			–	183

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FOR THE YEAR ENDED 31 DECEMBER 2017

22. Reconciliation of Liabilities Arising from Financing Activities

	Non-cash changes				Non-cash changes					
	As at 1 January 2016 HK\$'000	Financing cash flow HK\$'000 <i>(Note)</i>	Finance cost recognised HK\$'000 <i>(note 9)</i>	Dividend declared HK\$'000 <i>(note 12)</i>	As at 31 December 2016 HK\$'000	Financing cash flow HK\$'000 <i>(Note)</i>	Financing cost recognised HK\$'000 <i>(Note)</i>	Dividend declared HK\$'000 <i>(note 12)</i>	Share issue costs incurred HK\$'000	As at 31 December 2017 HK\$'000
Obligation under finance lease	604	(222)	15	-	397	(223)	9	-	-	183
Amount due to a director	230	-	-	-	230	(230)	-	-	-	-
Dividend payables	-	(4,000)	-	4,000	-	(6,875)	-	17,675	-	10,800
Accrued listing expenses	-	-	-	-	-	(2,280)	-	-	3,070	790
Prepaid deferred issue costs	-	(250)	-	-	(250)	(32)	-	-	250	(32)

Note: The cash flows represent the repayment of obligation under finance lease and amount due to a director, payment of interest, dividend and issue costs.

23. Deferred Taxation

The following is the major deferred tax liabilities recognised and movements during the current and prior years.

	Accelerated tax depreciation HK\$'000
At 1 January 2016	96
Charge to profit or loss <i>(note 11)</i>	60
At 31 December 2016	156
Credit to profit or loss <i>(note 11)</i>	(26)
At 31 December 2017	130

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 consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$2,834,000 as at 31 December 2017 (2016: HK\$2,308,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

24. Share Capital

The share capital of the Group at 1 January 2016 and 31 December 2016 represented the aggregated 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 December 2017 represents the share capital of the Company as follows:

	Number of share	HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
At 26 January 2017 (date of incorporation) and 31 December 2017	38,000,000	380
Issued and fully paid:		
At 26 January 2017 (date of incorporation)	1	–
Issue of shares upon Reorganisation	999,999	10
At 31 December 2017	1,000,000	10

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:

	2017	2016
	HK\$'000	HK\$'000
Land and buildings		
Within one year	9,368	3,791
In the second to fifth year inclusive	9,710	4,516
	19,078	8,307

25. Commitments (continued)

(a) Operating lease commitments (continued)

The Group as lessee (continued)

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 commitments

	2017	2016
	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	7,048	–

26. Related Party Transactions

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

(a) Various subsidiaries of Photo-Me

	2017	2016
	HK\$'000	HK\$'000
Machine leasing fee	81	162
Purchase of consumables	586	1,332
Purchase of machineries	657	1,164
Purchase of spare parts	17	25
(b) Rental expenses paid to Big Star and a company owned by Mr. CHEUNG Kam Ting	604	604
(c) Technical support fee paid to Pinnacle Vision Limited	–	180
(d) Salaries and other benefits paid to Ms. AU-YEUNG Ying Ho	541	341

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FOR THE YEAR ENDED 31 DECEMBER 2017

26. Related Party Transactions (continued)

Details of the balances with directors and related companies at the end of each reporting period are disclosed in the consolidated statement of financial position, consolidated statement of cash flows and notes 12, 16, 17, 19 and 20, respectively.

During both years, Mr. CHAN Wing Chai, Jamson provided HK\$130,000 personal guarantees to a bank for a corporate credit card issued to the Group. The guarantees provided by Mr. CHAN Wing Chai, Jamson were released on 20 May 2017.

The remuneration of directors and other members of key management during the years ended 31 December 2017 and 2016 were as follows:

	2017 HK\$'000	2016 HK\$'000
Short-term benefits	3,702	3,149
Post-employment benefits	213	185
	3,915	3,334

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 scheme 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 statement 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 to the schemes by the Group are disclosed in notes 8 and 10 respectively.

28. Particulars of Subsidiaries of the Company

Particulars of the Company's subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation	Place of operation	Attributable equity interest of the Group		Principal activities
			2017	2016	
Max Sight (BVI)	BVI	Hong Kong	100%	N/A	Investment holding
Treasure Star (China)	BVI	Hong Kong	100%	N/A	Investment holding
Max Sight (Note)	Hong Kong	Hong Kong	100%	47.8%*	Provision of photography services by supplying ID photo booths
MV Asset	Hong Kong	Hong Kong	100%	87.4%*	Provision of photography services by supplying ID photo booths
Treasure Star	Hong Kong	Hong Kong	100%	100%	Provision of photography services by supplying ID photo booths
Max Sight International	Hong Kong	Hong Kong	100%	100%	Holding of licensing agreements
GZ Max Sight (Note)	PRC	PRC	100%	47.8%*	Provision of photography services by supplying ID photo booths
Fullwise	Hong Kong	Hong Kong	100%	52.2%*	Holding of licensing agreement

* As at 31 December 2016, 47.8%, 87.4% and 52.2% equity interests in Max Sight, MV Asset and Fullwise were owned by the Controlling Shareholders respectively.

Note: Pursuant to a deed of trust, 18.9% of equity interest of Max Sight is held on trust by Mr. CHAN Wing Chai, Jamson for the benefit of Mr. CHEUNG Kam Ting. Pursuant to which, Mr. CHAN Wing Chai, Jamson exercised all of the rights, powers and discretions available to him as a trustee of Mr. CHEUNG Kam Ting including (without limitation) exercising Mr. CHEUNG Kam Ting'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.

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FOR THE YEAR ENDED 31 DECEMBER 2017

28. Particulars of Subsidiaries of the Company (continued)

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	
		2017	2016	2017	2016	2017	2016
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Max Sight	Hong Kong	–	52.2%	1,722	3,024	–	10,471
Individually immaterial subsidiaries with non-controlling interests	Hong Kong	N/A	N/A	(69)	–	–	476
				1,653	3,024	–	10,947

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

	2017	2016
	HK\$'000	HK\$'000
Current assets	N/A	20,972
Non-current assets	N/A	4,288
Current liabilities	N/A	(4,887)
Non-current liabilities	N/A	(314)
Equity attributable to owners of the Company	N/A	(9,588)
Non-controlling interests	N/A	(10,471)

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FOR THE YEAR ENDED 31 DECEMBER 2017

28. Particulars of Subsidiaries of the Company (continued)

Max Sight and its subsidiary (continued)

	2017	2016
	HK\$'000	HK\$'000
Revenue	28,648	26,119
Cost of sales	(14,113)	(13,567)
Other income	641	1,740
Other gains and losses, net	47	(141)
Expenses	(8,969)	(8,358)
Profit for the year	6,254	5,793
Profit attributable to owners of the Company	4,532	2,769
Profit attributable to non-controlling interests of Max Sight	1,722	3,024
Profit for the year	6,254	5,793
Other comprehensive income (expense) attributable to owners of the Company	194	(65)
Other comprehensive income (expense) attributable to the non-controlling interests of Max Sight	52	(71)
Other comprehensive income (expense) for the year	246	(136)
Dividend declared to non-controlling interests of Max Sight	6,582	2,089
	2017	2016
	HK\$'000	HK\$'000
Net cash inflow from operating activities	8,072	5,553
Net cash (outflow) inflow from investing activities	(14,966)	1,860
Net cash outflow from financing activities	(4,223)	(4,217)
Net cash outflow (inflow)	(11,117)	3,196

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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 note 17 and 21 respectively, and equity of the Group, comprising share capital, other reserves and accumulated losses.

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

	2017	2016
	HK\$'000	HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	16,019	27,844
Financial liabilities		
Amortised cost	15,820	2,063

Financial risk management objectives and policies

The Group'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 amount due to a director. 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.

30. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Currency risk

Certain bank balances and cash of the Group are denominated in foreign currencies of respective group entities, i.e. Renminbi (“RMB”), British Pound (“GBP”), Euro (“EUR”) and United States Dollars (“US\$”). The carrying amounts of the Group’s bank balances and cash denominated in foreign currencies at the end of each reporting period are as follows:

	Bank balances and cash	
	2017	2016
	HK\$'000	HK\$'000
RMB	263	244
GBP	3	3
EUR	198	173
US\$	2	2

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.

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/decrease in post-tax loss 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.

	2017	2016
	HK\$'000	HK\$'000
Decrease in loss/increase in profit for the year	39	35

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FOR THE YEAR ENDED 31 DECEMBER 2017

30. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in bank balances (note 18) as at 31 December 2017 and 2016.

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 for bank balances, hence sensitivity analysis is not presented.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables 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 statement 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 2017, the Group has significant concentration of credit risk in respect of trade receivable from one (2016: one) lessor of HK\$702,000 (2016: HK\$684,000). 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 in respect of rental and utilities deposits of HK\$2,211,000 (2016: HK\$2,208,000) is considered as not significant as such amount is placed in lessors with good reputation.

The credit risk for bank balances is considered as not significant as such amount is placed in banks with high credit ratings.

30. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group'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 can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	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
As at 31 December 2017							
Non-derivative financial liabilities							
Other payables	N/A	5,020	–	–	–	5,020	5,020
Dividend payables	N/A	10,800	–	–	–	10,800	10,800
Obligation under finance lease	3.08	–	186	–	–	186	183
		15,820	186	–	–	16,006	16,003
As at 31 December 2016							
Non-derivative financial liabilities							
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
		2,054	120	112	186	2,472	2,460

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 consolidated financial statements approximate their fair values.

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FOR THE YEAR ENDED 31 DECEMBER 2017

31. Information about the Statement of Financial Position of the Company

	2017 HK\$'000
Non-current assets	
Investment in subsidiaries	14,173
Current assets	
Prepayments	179
Deferred issue costs	3,320
	3,499
Current liabilities	
Amount due to group companies	11,608
Other payables and accrued charges	3,159
	14,767
Net current liabilities	(11,268)
Net assets	2,905
Capital reserves	
Share capital	10
Reserves	2,895
Equity attributable to owners of the Company	2,905

32. Reserve of the Company

	Share premium HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 26 January 2017 (date of incorporation)	–	–	–
Loss for the period	–	(11,268)	(11,268)
Reserve arising from Reorganisation	14,163	–	14,163
At 31 December 2017	14,163	(11,268)	2,895

33. Major Non-Cash Transaction

During the year ended 31 December 2016, the Group settled HK\$530,000 bonus payable to a director through the current account with Mr. CHAN Wing Chai, Jamson.

34. Subsequent Events

Pursuant to a written resolution passed at the extraordinary general meeting held on 8 February 2018, it was resolved, among other things, that:

- (i) the Company has conditionally adopted a share option scheme, the principal items of which are set out in the prospectus of the Company dated 15 February 2018;
- (ii) the authorised share capital of the Company was increased to HK\$50,000,000 divided into 5,000,000,000 share of the Company of HK\$0.01 each by creation of an additional 4,962,000,000 shares of the Company; and
- (iii) the directors of the Company are 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 of the Company (the “Capitalisation Issue”) immediately prior to the Listing. The Capitalisation Issue was completed on 28 February 2018.

The Listing was completed on 28 February 2018 and the Company allotted and issued 200 million new shares at HK\$0.31 per share for total gross proceeds of approximately HK\$62 million.

FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last three financial years.

Results

	Year ended 31 December		
	2017	2016	2015
	HK\$'000	HK\$'000	HK\$'000
Revenue	46,491	47,453	49,753
Profit before taxation	243	11,076	11,658
Income tax expense	(2,076)	(2,076)	(2,020)
(Loss)/profit for the year	(1,833)	9,000	9,638

Assets and Liabilities

	Year ended 31 December		
	2017	2016	2015
	HK\$'000	HK\$'000	HK\$'000
Total assets	25,525	32,458	27,235
Total liabilities	(17,348)	(5,018)	(4,659)
	8,177	27,440	22,576

MAX SIGHT GROUP HOLDINGS LIMITED
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