Max Sight Photo
名仕快相

Max Sight Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8483

2018
Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*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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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Wing Chai, Jamson *(Chairman)*
Mr. Chan Tien Kay, Timmy
(Chief Executive Officer)
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

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
(Resigned on 4 July 2018)
Mr. Wong Chi Hong
(Appointed on 4 July 2018)
Ms. Wu Siu Ling
(Appointed on 4 July 2018 and
resigned on 21 September 2018)

COMPLIANCE OFFICER

Mr. Chan Tien Kay, Timmy

AUDITOR

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

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

CORPORATE INFORMATION

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

CMB 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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present the consolidated financial results and annual report of the Company for the year ended 31 December 2018 after the successful listing of the Company's shares (the "**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**"). The Group expects that the successful Listing will enhance its corporate image and boost the confidence of investors and business partners in the Group, thereby facilitating future growth and business development, providing better access to capital and bringing other benefits to the Group.

For the year ended 31 December 2018, 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

The Company was successfully listed on the Stock Exchange on 28 February 2018, marking a milestone for the Group in improving capital strength and corporate governance as well as enhancing our competitive edge. We endeavoured to replicate the success of our business model in Hong Kong to the People's Republic of China (the "**PRC**") by expanding our network of automatic ID photo booths through installing new photo booths in the selected sites. We believe the automatic ID photo booth business has considerable expansion potential in the PRC and other counties.

Looking forward, the Group will steadily develop its existing businesses, while seeking attractive locations for photo booths to pursue expansion of the network of photo booths and the Group's profitability. We would continue to adopt a cautious approach to strike a balance between our business development process and our financial liquidity position, thus laying a solid foundation for our long-term development.

RESULTS

For the year ended 31 December 2018, we generated revenue of approximately HK$54,733,000, while our profit attributable to owners of the Group was approximately HK$1,780,000. Excluding the non-recurring Listing expenses of approximately HK$7,789,000 incurred for the year ended 31 December 2018, our profit attributable to owners of the Group amounted to approximately HK$9,569,000.

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 2018.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Being one of the leaders in provision of photography services in Hong Kong, we, with the rich industry experience and expertise of the Directors and management, managed the Group's operations in a proficient and effective manner in this year.

During the year ended 31 December 2018, our business was growing steadily based on the continued increase in the demand of ID photos.

We are optimistic about our core business and shall continue to capture market opportunities and expand our network of automatic ID photo booth, so as to achieve sustainable business growth and long-term benefits for our shareholders.

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 2018, 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, 22 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company was successfully listed on the Stock Exchange on 28 February 2018, marking a milestone for the Group in improving capital strength and corporate governance as well as enhancing our competitive edge. As at the date of this annual report, all of the unused proceeds from the share offer were deposited in licenced banks in Hong Kong.

The business in Hong Kong is stable and the sales in Hong Kong was increased during the year ended 31 December 2018. It was attributed to the increase in the sales prices and the number of transactions generated by photo booths in Hong Kong.

We intend to replicate the success of our business model in Hong Kong to the PRC by expanding our network of automatic ID photo booths through installing new photo booths in certain selected sites in the PRC. We believe the automatic ID photo booth business has considerable expansion potential in the PRC.

Expanding our photo booths network is the key to developing our business in the PRC. Due to the continuous changes in the government policy for ID photos in the PRC, our expansion plan in Guangdong Province was slightly delayed during the year ended 31 December 2018. We are endeavoured to analyse the market response and minimise the impact of each new policy. We have performed market researches and held conferences with vendors to explore and discuss any business opportunities in Guangdong Province and other provinces in the PRC.

As part of our expansion plans, we are working with our business partners of the Group to expand our photo booths network in the ID Documentations Issuing Authorities.

Other than expanding into the locations of ID Documentations Issuing Authorities, we are also exploring opportunities to develop our network in the PRC railways stations, shopping malls, etc.. We have negotiated with the property owners and business partners to expand our photo booths network into Guangdong Province and other provinces in the PRC.

On 22 February 2019, Guangzhou Max Sight Photo-Me Co., Ltd. (the "**GZ Max Sight**"), an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with an independent third party in respect of a possible acquisition of the independent third party's business relating to automatic identification photo booths operations in the PRC. For further details, please refer to the announcement of the Company dated 22 February 2019.

We are optimistic about our core business and shall continue to capture market opportunities and expand our network of automatic ID photo booth, so as to achieve sustainable business growth and long-term benefits for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$8,242,000 or 17.73%, from approximately HK$46,491,000 for the year ended 31 December 2017 to approximately HK$54,733,000 for the year ended 31 December 2018. For the year ended 31 December 2018, the higher revenue was attributed to the increase in the sales prices and the number of transactions generated by photo booths.

Cost of sales

The Group's cost of sales primarily consisted of (i) licence 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 licence fees paid/payable for premises of our photo booths, which accounted for approximately 82.22% of our total cost of sales, for the year ended 31 December 2018.

Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK$23,234,000 and HK$20,508,000 for the years ended 31 December 2018 and 2017 respectively, representing gross profit margin of approximately 42.45% and 44.11% respectively, maintained at a stable level. For the years ended 31 December 2018 and 2017, the gross profit of the Group is mainly generated by the photo booths in Hong Kong.

Other income

Other income mainly represented sales of photo strips, waiver of other payable and interest income from bank deposits. Detailed information is set out in the note 7 to the consolidated financial statements.

Other gains and losses, net

Other gains and losses, net represented a net exchange losses of approximately HK$144,000 for the year ended 31 December 2018, as compared to net exchange gains of approximately HK$65,000 was recorded for the year ended 31 December 2017.

Administrative expenses

The Group's administrative expenses increased by approximately HK$3,785,000, or 41.09%, from approximately HK$9,211,000 for the year ended 31 December 2017 to approximately HK$12,996,000 for the year ended 31 December 2018. The increase was mainly attributable to the increases in (i) staff cost; (ii) Directors' emoluments; and (iii) legal and professional fee.

Finance costs

Finance costs comprised interest charges on finance lease obligation. Finance costs amounted to approximately HK$3,000 and HK$9,000, respectively, for the years ended 31 December 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Listing expenses

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

The Group's listing expenses amounted to approximately HK$7,789,000 and HK$11,268,000, respectively, for the years ended 31 December 2018 and 2017.

Income tax expenses

Income tax expenses amounted to approximately HK$1,503,000 and HK$2,076,000 for the years ended 31 December 2018 and 2017, maintained at a stable level.

Profit/(loss) attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately HK$5,266,000 from a loss attributable to owners of the Company approximately HK$3,486,000 for the year ended 31 December 2017 to profit attributable to owners of the Company approximately HK$1,780,000 for the year ended 31 December 2018. The improvement was mainly contributed by the higher revenue and lower listing expenses incurred for the year ended 31 December 2018. Excluding the non-recurring listing expenses incurred for the years ended 31 December 2018 and 2017 respectively, our profit attributable to owners of the Company was approximately HK$9,569,000 and HK$7,782,000 for the years ended 31 December 2018 and 2017, respectively.

Segment information

An analysis of the Group's performance for the years ended 31 December 2018 and 2017 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. As at 31 December 2018, the Group did not have any interest-bearing borrowings and therefore the gearing ratio is not applicable to the Group.

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of unexpected fluctuations in cash flows, sufficient bank and cash balance. The Group has built an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. We regularly monitor the repayment dates of financial liabilities, for example other payables and accrued charges, to match with financial resources available to us from time to time. The Group manages liquidity risk by maintaining adequate financial resources, including existing cash and bank balances and operating cash flows.

Capital expenditure

The capital expenditure for the years ended 31 December 2018 and 2017 were primarily related to expenditures on additions of property, plant and machinery, amounting to approximately HK$10,595,000 and HK$624,000, respectively.

FINANCIAL REVIEW (continued)

Use of proceeds from the Company's share offer

The Company has received the proceeds from the share offer of 200,000,000 Shares at a price of HK$0.31 each on 28 February 2018 (the "**Listing Date**"). The gross proceeds from the share offer amounted to approximately HK$62,000,000 and the net proceeds was approximately HK$31,852,000. As at 31 December 2018, approximately HK$7,026,000 had been utilised, detailed information has been set out in the following table, prospectus of the Company dated 15 February 2018 (the "**Prospectus**") and the section headed "Use of proceeds from the Company's share offer and change in use of proceeds" in the announcement of the Company dated 10 May 2018 (the "**Announcement**").

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

	Adjusted use of net proceeds as stated in the Announcement (HK$'000)	Actual utilised net proceeds up to 31 December 2018 (HK$'000)	Unutilised net proceeds up to 31 December 2018 (HK$'000)	Expected time of fully use of net unutilised proceeds
Expansion of network of automatic ID photo booths				
— Guangdong Province	29,381	6,652	22,729	31 December 2020
— Hong Kong	471	282	189	31 December 2020
Upgrading of validation centre and IT infrastructure	2,000	92	1,908	31 December 2019
Total	31,852	7,026	24,826	

As a result of the continuous changes in the government policy for ID photos in the PRC, our expansion plan in Guangdong Province was slightly delayed during the year ended 31 December 2018. The Company is currently discussing the business opportunities in Guangdong Province and other provinces in the PRC with Prestige Technology Company Limited to pursue the original plan as disclosed in the Prospectus.

In the meanwhile, on 22 February 2019, GZ Max Sight, an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with an independent third party in respect of a possible acquisition of the independent third party's business relating to automatic identification photo booths operations in the PRC. For further details, please refer to the announcement of the Company dated on 22 February 2019.

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

Foreign exchange risk management

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Significant investments

As at 31 December 2018 and 2017, the Group did not hold any significant investments.

Pledge of assets

As at 31 December 2018 and 2017, the Group had no pledge of assets.

Contingent liabilities

As at 31 December 2018 and 2017, the Group did not have any significant contingent liabilities.

Subsequent event

Detailed information are set out in note 32 to the consolidated financial statements.

Dividends

The Directors do not recommend to declare a final dividend for the year ended 31 December 2018. Other details are set out in note 12 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Wing Chai, Jamson (陳永濟), aged 72, was appointed as an executive Director with effect from 26 January 2017, Mr. Chan also serves as chairman of the Board and the chairman of nomination committee. 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 28 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 45, was appointed as an executive Director with effect from 26 January 2017. Mr. Chan also serves as a member of remuneration committee of the Board and the chief executive officer of the Company. Mr. Chan 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 22 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

EXECUTIVE DIRECTORS (continued)

Mr. Wu Siu Tong (胡兆棠), aged 64, was appointed as an executive Director with effect from 26 January 2017. Mr. Wu ceased to be the finance director of the Company from 22 March 2019 while. Mr. Wu is still responsible for overseeing the financial functions of the Group. 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 31 years of experience in accounting and financial management. Prior to joining the Group, Mr. Wu worked in various multinational and listed companies as financial controller including Leigh & Orange Limited as architectural firm and RMJM Hong Kong Limited from 2007 to 2009 and from 2003 to 2005 respectively, and as group financial controller of SEA Holdings Limited from 1999 to 2003, a company whose shares are listed on the main board of the Stock Exchange (stock code: 0251), principally engaged in property development and investment. 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 74, was appointed as a non-executive Director on 26 January 2017. Mr. Cheung 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 41 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 74, was appointed as a non-executive Director on 26 January 2017. Mr. Costi is primarily responsible for providing strategic advice to the business and operation of the Group. Mr. Costi served as a director of some of our subsidiaries, including Max Sight Limited from September 1998 to June 2018, Fullwise International Limited from October 1999 to June 2018 and GZ Max Sight from August 2005 to July 2018. Mr. Costi has accumulated over 36 years of extensive experience in the automatic photography industry.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ngai James (倪雅各), aged 55, joined the Group in February 2018. Mr. Ngai is an independent non-executive Director, the chairman of the audit committee and the remuneration committee of the Board and a member of nomination committee of the Board. Mr. Ngai graduated from University of Toronto with a Bachelor's degree in Economics. Mr. Ngai is a Certified Public Accountant (Practising) in Hong Kong and a member of Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. Mr. Ngai is also a fellow member of The Taxation Institute of Hong Kong. Mr. Ngai has over 30 years of experience in accounting, auditing and taxation matters and is a managing director of Russell Bedford James Ngai CPA Limited.

Mr. Ngai is also a non-executive director and a chairman of the board of directors of Le Saunda Holdings Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 0738).

Mr. Hui Chi Kwan (許次鈞), aged 69, was appointed as an independent non-executive Director on 8 February 2018. Mr. Hui also serves as a member of audit committee of the Board and remuneration committee of the Board. Mr. Hui graduated from The University of Hong Kong with a Bachelor's degree in Laws in November 1980 and has been a solicitor practising 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 72, was appointed as the independent non-executive Director on 8 February 2018. Mr. Kwok also serves as a member of audit committee of the Board and nomination committee of the Board. Mr. Kwok has over 49 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 and the re-appointment has taken for a period of three years from 28 December 2018 to 27 December 2021. 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 45, 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 24 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 42, 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 5 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 53, 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 24 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.

COMPANY SECRETARY

Mr. Wong Chi Hong (黃子康), aged 32, was appointed as a company secretary and finance director of the Company with effect from 4 July 2018 and 22 March 2019, respectively. Mr. Wong joined the Group as an accounting manager in August 2017. Mr. Wong is primarily responsible for financial reporting, financial control matters and corporate secretarial matters of the Group. Mr. Wong has over 8 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.

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.

REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

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 subsidiaries of the Company during the year ended 31 December 2018 is set out in the note 26 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 54 of this annual report.

FINAL DIVIDENDS

The Directors do not recommend to declare a final dividend for the year ended 31 December 2018. 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 2018 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 10 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.

REPORT OF DIRECTORS

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 2018, 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 endeavours 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.

Other details are set out in the "Environmental, Social and Governance Report" on pages 44 to 49 in 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 2018, 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 four financial years is set out on page 103 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 9.

REPORT OF DIRECTORS

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 2018 and 2017.

Major suppliers

For the year ended 31 December 2018, the Group's three (2017: two) largest suppliers accounted for 100% of the Group's total purchases and our single largest supplier is Photo-Me International Plc. which accounted for approximately 92.0% (2017: 84.2%) of the Group's total purchases. Photo-Me International Plc. is also one of the substantial shareholders of the Company.

Save as disclosed above, during the year ended 31 December 2018, 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 2018 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 2018 are set out in note 22 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2018 are set out on pages 102 and 56 respectively of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the distributable reserves of the Company amounted to approximately HK$37,563,000. No final dividend was declared for the year ended 31 December 2018.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2018, the Group did not have any bank loans and other borrowings.

REPORT OF DIRECTORS

DIRECTORS

The Directors of the Company during the year ended 31 December 2018 and up to the date of this annual report are:

Executive Directors

Mr. Chan Wing Chai, Jamson *(Chairman)*
Mr. Chan Tien Kay, Timmy *(Chief Executive Officer)*
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

In accordance with article 84(1) of the articles of association of the Company (the "**Articles of Association**"), at each annual general meeting (the "**AGM**"), one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

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 11 to 14 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of its independent non-executive Directors to be independent.

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).

REPORT OF DIRECTORS

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 2018.

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 2018.

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 the five highest paid individuals during the year ended 31 December 2018 are set out in note 8 to the consolidated financial statements.

DIVIDEND POLICY

The Directors shall consider the following factors before declaring or recommending dividends:

1. the Company's actual and expected financial performance;

2. retained earnings and distributable reserves of the Company and each of the members of the Group;

3. the Group's working capital requirements, capital expenditure requirements and future expansion plans;

4. the Group's liquidity position;

5. general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

6. other factors that the Board deems relevant.

Other details are set out in note 12 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 25 to the consolidated financial statements.

REPORT OF DIRECTORS

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

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

Note:

(1) The disclosed interest represents the interest in the Company held by Causeway Treasure 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

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

Note:

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

Save as disclosed above, as at 31 December 2018, 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 2018 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 at 31 December 2018, 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 31 December 2018, 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.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was adopted pursuant to a written resolution by the Shareholders on 8 February 2018. No share option was granted, lapsed, exercised or cancelled by the Company under the Share Option Scheme during the year ended 31 December 2018 and there was no outstanding share option as at 31 December 2018.

1. Purpose

The purpose of the Share Option Scheme is to motivate the Eligible Persons (as defined in the paragraph (2) below) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing 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 (the "**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 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.

SHARE OPTION SCHEME (continued)

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 reorganisation 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.

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

During the year ended 31 December 2018, 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 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 year ended 31 December 2018 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 year ended 31 December 2018 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 2018, 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, Photo-Me International Plc. and its subsidiaries have agreed to supply photo booths and their respective consumables and spare parts to the Group, effective from the date of the Master Supply Agreement to 31 December 2019.

As Photo-Me International Plc. is the Substantial Shareholder 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 Share 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.

CONTINUING CONNECTED TRANSACTIONS (continued)

Master supply agreement (continued)

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 Photo-Me International Plc. and its subsidiaries and the Group for more than 25 years starting from 1993, and 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 2018.

The aggregate transactions contemplated with Photo-Me International Plc. and its subsidiaries for the year ended 31 December 2018 shall not exceed the following caps:

	Annual caps for the year ended 31 December 2018
	HK$'000
Transaction amount of purchase of the photo booths and spare parts from Photo-Me International Plc. and its subsidiaries	3,800
Transaction amount of purchase of the photo booth consumables from Photo-Me International Plc. and its subsidiaries	1,000
Maximum aggregate transaction amounts with Photo-Me International Plc. and its subsidiaries	4,800

Based on the annual caps 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.

For the year ended 31 December 2018, 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.

CONTINUING CONNECTED TRANSACTIONS (continued)

Master supply agreement (continued)

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 2018 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.

Save as the above disclosure, no other related party transactions, which set out in note 24 to the consolidated financial statements, are required to be disclosed in this annual report in accordance with the requirements of Chapter 20 of the GEM Listing Rules.

DONATIONS

During the year ended 31 December 2018, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2018, 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.

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 EVENT

The material post balance sheet event is disclosed in note 32 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, the annual results and the consolidated financial statements for the year ended 31 December 2018.

REPORT OF DIRECTORS

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 29 to 43 of this annual report.

The compliance officer of the Company is Mr. Chan Tien Kay, Timmy, whose biographical details are set out on page 11. The company secretary of the Company is Mr. Wong Chi Hong who satisfies the qualification requirement under Rules 5.14 of the GEM Listing Rules. Mr. Wong Chi Hong's biographical details are set out on page 14.

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 year ended 31 December 2018 and up to the date of this annual report.

AUDITOR

Deloitte Touche Tohmatsu was appointed as the Auditor for the year ended 31 December 2018. 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, 22 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. During the year ended 31 December 2018, 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 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 *(Chairman)*
Mr. Chan Tien Kay, Timmy *(Chief Executive Officer)*
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.

THE BOARD (continued)

During the year ended 31 December 2018 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.

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 summarised below:

Board Diversity Policy

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 statues, 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 2018, all Directors and the 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. 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.

CORPORATE GOVERNANCE REPORT

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 year ended 31 December 2018, seven board meetings and one general meeting were held and the attendance of each Director at these board meetings and general meeting is set out in the table below:

Directors	Board meeting(s) attended/held	General meeting attended/held
Executive Directors:		
Mr. Chan Wing Chai, Jamson	7/7	1/1
Mr. Chan Tien Kay, Timmy	7/7	1/1
Mr. Wu Siu Tong	7/7	1/1
Non-executive Directors:		
Mr. Cheung Kam Ting	7/7	1/1
Mr. Riccardo Costi	4/7	1/1
Independent Non-executive Directors:		
Mr. Ngai James	7/7	1/1
Mr. Hui Chi Kwan	7/7	1/1
Mr. Kwok Tsun Wa	7/7	1/1

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE REQUIRED STANDARDS OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions in the securities of the Company.

In response to specific enquiry made by the Company, each of the Directors gave confirmation that he complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2018.

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.

During the year ended 31 December 2018, the Audit Committee had four meetings with the following matters:

- reviewed the quarterly, interim and annual results of the Group during the year ended 31 December 2018 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.

During the year ended 31 December 2018, the attendance of each Audit Committee member is set out in the table below:

Audit Committee member	Meeting(s) attended/held
Mr. Ngai James	4/4
Mr. Hui Chi Kwan	4/4
Mr. Kwok Tsun Wa	4/4

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 December 2018 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

BOARD COMMITTEES (continued)

Nomination Committee

The Nomination Committee 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 of the Company and the Chief Executive Officer.

The provisions set out in the terms of reference of the Nomination Committee are regarded as the key nomination criteria and principles of the Company for the nomination of Directors, and these provisions constitute the "Nomination Policy" of the Company.

The work performed by the Nomination Committee during the year ended 31 December 2018 included:

1. review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors;

3. assess the independence of independent non-executive Directors, having regards to the requirements under the GEM Listing Rules; and

4. review Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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

BOARD COMMITTEES (continued)

Nomination Committee (continued)

Pursuant to Rule 17.104 of the GEM Listing Rules, 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;

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.

Pursuant to code provision L.(d)(ii) of the CG Code, listed issuers are required to adopt nomination policy. On 22 March 2019, the Board revised the nomination policy.

The nomination policy sets out the selection criteria and procedure of appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, his/her academic background and professional qualifications, relevant experience in the industry, character and integrity and whether he/she can contribute to the diversity of the Board as detailed in the Board Diversity Policy.

The procedure of appointing and re-appointing a Director is summarised as follows:

1. nomination and invitation of suitable candidates by any member of the Nomination Committee or the Board;

2. evaluation of the candidate by the Board based on all selection criteria as set out in the nomination policy;

3. performing due diligence in respect of each candidate and making recommendation for the Board's consideration and approval;

4. in case of nomination of an independent non-executive Director, assessing the candidate's independence under the relevant code provisions of the CG Code and the GEM Listing Rules;

5. where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under code provision A.5.5 of the CG Code;

BOARD COMMITTEES (continued)

Nomination Committee (continued)

6. in the context of re-appointment of retiring Directors, reviewing the candidate's overall contribution and performance and making recommendations to the Board and/or the Shareholders for consideration in connection with his/her re-election at general meetings;

7. convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director;

8. considering factors below when it makes recommendation for appointment and re-appointment, inter alia:

   (i) mix of Board members that promotes diversity of background and experience on the Board;

   (ii) competency;

   (iii) age of potential/existing Director;

   (iv) independence of potential/existing Board member;

   (v) business, technical, or specialised skills and experience of member/potential member;

   (vi) ability, time, commitment and willingness of a new member to serve and an existing member to continue service;

   (vii) specific value a member/potential member can add to the Board; and

9. ensuring that no Director or any of his/her associates is involved in approving his/her or any of his/her associates' nomination.

During the year ended 31 December 2018, the attendance of each Nomination Committee member 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

BOARD COMMITTEES (continued)

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.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

During the year ended 31 December 2018, 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.

During the year ended 31 December 2018, the attendance of each Remuneration Committee member 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 2018 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 three senior management and the company secretary, whose particulars are contained in the section headed "Directors and Senior Management" in this annual report, 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 responsibilities for preparing the financial statements for the year ended 31 December 2018 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 the 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 50 to 53 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. During the year ended 31 December 2018, the Audit Committee has engaged an external service provider as internal auditor to perform annual review in risk management and internal control. The review covered all material controls, including financial, operational and compliance controls. During the year ended 31 December 2018, 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 an internal control structure of the Company are 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 provides independent assurance to the Board, the Audit Committee and the management concerning the effectiveness of risk management and internal control systems.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

During the year ended 31 December 2018, 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 unauthorised 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 2018 was approximately as follows:

Type of Services	**Amount** (HK$'000)
Audit services	1,050
Services for acting as reporting accountant for the Listing	915
Total	1,965

COMPANY SECRETARY

Mr. Ley Yee Chung, Danny, previously our company secretary, resigned on 4 July 2018. On the same date, the Board appointed Mr. Wong Chi Hong and Ms. Wu Siu Ling as joint company secretaries of the Company. On 21 September 2018, Ms. Wu Siu Ling resigned as the joint company secretary of the Company. Mr. Wong Chi Hong, the other joint company secretary acts as the sole company secretary of the Company.

Mr. Wong Chi Hong, 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.

For the year ended 31 December 2018, Mr. Wong Chi Hong 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 recognises 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 head office of the Company at 14th Floor, McDonald's Building, 48 Yee Wo Street, Causeway Bay, Hong Kong.

CORPORATE GOVERNANCE REPORT

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 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.

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

During the year ended 31 December 2018, a family member of Mr. Riccardo Costi, a non-executive Director, had less than 5% interests in Dedem S.P.A. and its subsidiaries which are principally engaged in automatic ID photo booths operation and provision of auxiliary services to photo booths operation in Europe. As such, Mr. Riccardo Costi is regarded as having interests in the business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and the Shareholders and will avoid any potential conflicts of interests. The Board is comprised of eight Directors including three independent non-executive Directors and all of them are Audit Committee members, so that the interests of the Shareholders can be properly maintained.

The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which Mr. Riccardo Costi has declared interests.

Apart from the above-mentioned, during the year ended 31 December 2018, the Directors including the independent non-executive Directors, are not aware of any business or interest of the Directors, the management of the Company and their respective close associates (as defined) under the GEM Listing Rules that compete or may compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

FACILITY AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

On 11 July 2018, Max Sight Limited, a wholly-owned subsidiary of the Company, has entered into a credit facility agreement (the "**Facility Agreement**") with a licenced bank (the "**Lender**") for a loan facility in the aggregate amount of RMB5,300,000 which will expire on 30 June 2019. The term loan facility shall be repayable in full in 13 months from the date of drawdown.

Pursuant to the terms of the Facility Agreement, if the Chan's family including Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Ms. Au-Yeung Ying Ho ceases to be a majority ultimate beneficial shareholder of the Company, the Facility Agreement may be cancelled and repayment may be demanded by the Lender. As at the date of this annual report, Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Ms. Au-Yeung Ying Ho jointly hold approximately 53.45% by Causeway Treasure of the entire issued share capital of the Company.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This environmental, social and governance (the "**ESG**") report focusing on the Group's ESG initiatives. When preparing this ESG report, references have been made to Appendix 20 to the on GEM Listing Rules.

The initiatives of the Group in implementing environment and social related policies are as follows:

(1) To optimise efficient use of resources in efforts to minimise impact on the environment and natural resources;

(2) To encourage employees to be environmentally conscientious; and

(3) To contribute to the community's well-being.

STAKEHOLDERS' ENGAGEMENT AND MATERIALITY

In order to identify the most significant ESG aspects for the Group to report on for this ESG report, key stakeholders such as investors, Shareholders, employees, lessors, suppliers, customers, environment and community have been taken into consideration.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on our ESG approach and performance. Suggestions can be sent to the Company's head office at 14th Floor, McDonald's Building, 48 Yee Wo Street, Causeway Bay, Hong Kong.

Environmental

It is the Group's policy to ensure compliance with applicable environmental laws and regulations and minimise the Group's environmental footprint through efficient use of resources and adoption of pro-environmental technologies. The Group believes that increased environmental awareness is the key to environmental protection and wellness to the general community.

The Group's main office headquarter is located in Hong Kong and the main emissions and wastes produced by the Group are primarily attributable to its use of electricity, water and paper. The Group does not produce any hazardous waste in its operations. The Group considered the amount of non-hazardous wastes is not significant.

During the year ended 31 December 2018, the Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the environment and natural resources relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. Due to the nature of our business, the Group's operational activities do not directly generate industrial pollutants, and as such the Group did not incur directly costs of compliance with applicable environmental protection rules and regulations. The Group expects that its business operations have minimal direct impact on the environment and natural resources.

STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

Environmental (continued)

Our major air emission was generated by few vehicles owned by the Group. The vehicles are used by the senior management to visit the operating venues and attend the conferences with business partners. Since the vehicles were used for a short-distance travel during the year ended 31 December 2018, the emission from our vehicles imposed immaterial impact to the overall air pollution in Hong Kong. We do not measure the emission generated by our vehicles.

During the year ended 31 December 2018, the greenhouse gas ("**GHG**") emission from the operation is set out below:

Scope of greenhouse gas emissions	Equivalent CO_2 emission (kg)
Scope 1 — direct emissions	N/A
Scope 2 — indirect emissions (purchased electricity in the office)	11,381
Scope 3 — other indirect emissions (paper)	13,771
Total emissions	25,152
Density of total emissions per employee	449

Note:

Scope 1: Direct emission from vehicles that are owned by the Group.

Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group.

Scope 3: Not disclosed as it is an optional disclosure and the corresponding emission is not controlled by the Group.

Energy

Electricity

Energy conservation will not be effective without the support of employees. The Group has been encouraging employees to establish energy-saving habits in the office, such as switching off lights and electronic appliances before leaving the office. The photo booths are mainly switched off automatically after the business hours and most of the electricity were supported by landlord for the photo booths. The electricity consumed by the Group's subsidiaries in Hong Kong and the PRC was strictly monitored.

Energy consumption in the office by the Group during the year ended 31 December 2018 is set out below:

Resource consumption/ discharge description	Unit	Total	Energy intensity — Unit per employee
Purchased electricity (in the office)	kWh	14,406	257

Since the vehicles was used for a short-distance during the year ended 31 December 2018, the emission from our vehicles imposed immaterial impact. There was no measurement disclosed for the usage on unleaded petrol from the vehicles.

STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

Environmental (continued)

Energy (continued)

Water

The water supply to our office is provided and managed by the management office of the building and therefore no usage statistics are available. Water consumption by the Group during the year ended 31 December 2018 involved mainly bottled drinking water uses at its office premises and the Group's business operations do not require any other water usage. The Group encourages employees to reduce water consumption in the offices. For example, employees are encouraged to fully empty any containers before washing, to turn off water taps promptly, to check faucets and pipes for leaks, and to adopt water saving appliances.

Paper

Paper consumption by the Group mainly involves commercial printing. In efforts to prevent paper wastage, the Group encourages employees to print and copy double sided two pages to one paper and re-use paper to the extent practicable. Employees are also encouraged to go paperless by limiting printouts and communicate via e-mail as opposed to fax. The Group has not otherwise adopted any dedicated recycling programme regarding paper uses.

Social

Employment

The employees of the Group are located in Hong Kong and the PRC. The Group safeguards the rights of our employees by strictly complying with the requirements of the Labour Law of Hong Kong and the Labour Law of the PRC. In the PRC, we have participated in welfare schemes concerning pension insurance, unemployment insurance, occupational injury insurance and medical insurance in accordance with the local regulations of the PRC. In Hong Kong, we have participated in the Mandatory Provident Fund (MPF) Scheme, prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and Occupational Retirement Schemes, prescribed by Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). All of our employees have employment contracts that cover matters such as wages, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis. The Group grants discretionary bonuses to qualified employees based on operation results and individual performance. The employees are also entitled to medical insurance and various types of paid leave. The Group also has an employee record with breakdown of total employees in different departments, gender and age groups which will be regularly updated.

The Group is not aware of any material non-compliance with any relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the year ended 31 December 2018.

STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

Social (continued)

Employees' health and safety

The Group values the health and well-being of staff. In order to provide employees with health coverage, staff are entitled to benefits including medical insurance as well as other competitive fringe benefits. The Group has adhered to the related laws and regulations with regard to labour hygiene and assured personal safety of employees to create a safe and hygienic work environment to everyone working at the Group's venue.

There has been no high-risk or safety-sensitive type of work identified in the workplace. However, the Group understands that employees need to work with computers and/or stand up for long periods daily due to the nature of its operation. Hence, the Group provides employees with occupational safety education by circulating office safety guidance which covers the safe use of display screen equipment, correct working postures and encourages workplace stretching exercises to minimise the risk of work related injury and strain. During the year ended 31 December 2018, there was no case of work-related fatality, and there was 1 case of work-related injury, accounting for a total of 18 lost days and the Group has had no non-compliance cases regarding violation of relevant laws and regulations on occupational health and safety.

Development and training

The Group recognises the importance of training for the development of our employees as well as the Group. All new employees are required to attend orientation training to ensure the employees are aware and familiarise themselves with the Group's values and goals and understand their roles in the Group. Employees are encouraged to attend seminars relevant to their positions to enhance their roles within the Group. We aim to attract talents by offering career development opportunities through the training and close guidance by senior colleagues, with a view to enhancing their technical and skills, as well as promotion opportunities. Thus, we provide introductory and continuous and on-job trainings to our staff to enhance their technical and knowledge and ensure high quality customer services. In addition, trainings are given to our staff on data security issues. We constantly carry out staff evaluation to assess their performance. We believe that it is a win-win approach for achieving both employee and corporate goals as a whole.

Labour standard

All employees are recruited through the human resources department to ensure they fulfil the job requirements underlying their respective positions.

The Group regularly reviews its employment practice and Group's guidelines on staff recruitment to ensure that it is in full compliance with the Employment Ordinance and other regulations related to, among other things, prevention of child labour and forced labour.

During the year ended 31 December 2018, the Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to prevention of child and forced labour.

STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

Operating practices

Supply Chain Management

Although our main operation is automatic photography industry, high quality automatic photography service is one of our major concerns as we aim at providing the best quality service to the clients. The Group places great emphasis on quality control during the training and employee orientation.

The Group is committed to delivering professional services and achieving customer satisfaction by providing a client-oriented service. The Group's policy provides guidelines to the operation and maintenance team to assist the customers to use the automatic photo booths. The management holds regular communications with front-line employees to review and discuss various aspects of operations to ensure services meet the clients' expectations. The Group constantly collects the clients' feedback by the mail, email and telephone. To enhance clients' confidence in the Group, the Group strives not only to provide satisfactory services to the clients, but also to promptly investigate the root cause of complaints and provide corrective action and carry out remedial and preventive action in response to the complaints from the clients.

The Group only has a few major photo booth vendors and suppliers involved in the Group's operations. The Group selects the vendors and suppliers carefully based on a set of selection criteria, which include (i) pricing, quality technical level or other specification requirements of photo booths, spare parts and consumables; (ii) timeliness of delivery; (iii) reputation of the photo booth vendors and suppliers; (iv) previous experience and length of our relationship with the photo booth vendors and suppliers; and (v) past performance of the photo booth vendors and suppliers.

Product responsibility

The Group has photo booths in Hong Kong and the PRC with technology function which are operated by the Group. The Group has implemented measures to protect the Group's intellectual property rights and intellectual property rights in relation to the technology owned by other third parties.

The Group also values customers' feedback on the products provided and has implemented measures to handle complaints effectively. The Group accept customers' complaints by way of mail, email and telephone to ensure timely response to customer concerns and the Group's customer service officer handles customers' complaints promptly upon receipt.

The Group offers customers in Hong Kong and the PRC, an "unconditional guarantee" that if, for whatever reasons, the customer is not satisfied with a photo taken by the photo booths, the Group will provide a free photo retake to the customer's satisfaction or full money refund upon their return of the photos taken. The Group believes that an "unconditional guarantee" is able to enhance customers' confidence in the products. During the year ended 31 December 2018, the amount of products returned from the customers was minimal.

The Group's policy on privacy of personal data provides guidelines for managing different kinds of personal data and the establishment of a privacy framework that secures the personal data of our employees. The Group requires that intellectual property rights are protected.

STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

Operating Practices (continued)

Product responsibility (continued)

During the year ended 31 December 2018, the Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to advertising, labelling and privacy matters relating to products and services provided, intellectual property right infringement and methods of redress.

Anti-corruption

The Group adopts a zero-tolerance policy on bribery, extortion, fraud and money laundering. It is also the responsibility of all employees to maintain ethical behaviour. All financial data are checked by different levels of personnel to ensure compliance with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering. All employees are encouraged to raise any related concerns to the senior management in a strictly confidential manner. Any matters of genuine concern are to be thoroughly investigated and actions will be taken accordingly.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the year ended 31 December 2018.

Community

Community investment

The focuses of the Company's community investment are social welfare and environmental protection. The Group believes that it can act effectively to help alleviate social problems and responds positively with volunteering services.

During the year ended 31 December 2018, in order to improve the work-life balance of the Group's employees and encourage them to participate in community activities and charitable events so as to contribute to the society. The Group's employees from the back office are offered flexible working hours arrangements on the weekday and Saturday. The Group's employees may spare more time with their families and participate in volunteering services to give back to the society.

In the meanwhile, the Group also endeavoured to build a happy culture and team work environment, the Group has organised wide range of community initiatives included annual dinner and day tour during the year ended 31 December 2018. The Company has organised a Macau day tour to celebrate the Christmas holidays, most of the employees in Hong Kong including top managements joined the tour. All of them enjoyed the tour and spent the holiday with their colleagues. It also created a vivid atmosphere at the office and front-line team.

INDEPENDENT AUDITOR'S REPORT

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 54 to 102, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") 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 fulfiled 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 (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We identified revenue recognition as a key audit matter due to its significant amount to the consolidated financial statements. Revenue from provision of photography service is recognised when the Group completed satisfaction of the relevant performance obligation. The accounting policy for revenue recognition is disclosed in note 4 to the consolidated financial statements. The Group recognised revenue of approximately HK$54,733,000 for the year ended 31 December 2018 as set out in note 6 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Obtaining an understanding of the revenue process; • Understanding and assessing the key controls that management have in place over revenue recognition; and • Checking sales transactions, on a sample basis, against source documents (e.g. meter reading reports).

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.

INDEPENDENT AUDITOR'S REPORT

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 from 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 report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' 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
22 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	6	**54,733**	46,491
Cost of sales		**(31,499)**	(25,983)
Gross profit		**23,234**	20,508
Other income	7	**981**	158
Other gains and losses, net	7	**(144)**	65
Administrative expenses		**(12,996)**	(9,211)
Finance costs	9	**(3)**	(9)
Listing expenses		**(7,789)**	(11,268)
Profit before taxation	10	**3,283**	243
Income tax expense	11	**(1,503)**	(2,076)
Profit (loss) for the year		**1,780**	(1,833)
Other comprehensive (expense) income for the year			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**(566)**	245
Total comprehensive income (expense) for the year		**1,214**	(1,588)
Profit (loss) for the year attributable to:			
Owners of the Company		**1,780**	(3,486)
Non-controlling interests		**–**	1,653
		1,780	(1,833)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**1,214**	(3,293)
Non-controlling interests		**–**	1,705
		1,214	(1,588)
Earnings (loss) per share			
— Basic (HK cents)	13	**0.23**	(0.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	**11,172**	2,556
Deposits	16	**1,838**	4,929
		13,010	7,485
Current assets			
Inventories		**172**	280
Trade receivables	15	**1,140**	702
Other receivables, deposits and prepayments	16	**910**	4,312
Tax recoverable		**456**	–
Bank balances and cash	17	**47,294**	12,746
		49,972	18,040
Current liabilities			
Other payables and accrued charges	18	**2,557**	5,490
Dividend payables		**–**	10,800
Obligation under finance lease	19	**–**	183
Tax payable		**–**	745
		2,557	17,218
Net current assets		**47,415**	822
Non-current liability			
Deferred tax liabilities	21	**124**	130
Net assets		**60,301**	8,177
Capital and reserves			
Share capital	22	**8,000**	10
Share premium and reserves		**52,301**	8,167
Equity attributable to owners of the Company		**60,301**	8,177
Total equity		**60,301**	8,177

The consolidated financial statements on pages 54 to 102 were approved and authorised for issue by the Board of Directors on 22 March 2019 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 2018

	Attributable to owners of the Company							
	Share capital	Share premium	Translation reserve	Accumulated profits (losses)	Other reserve	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	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
Profit for the year	**–**	**–**	**–**	**1,780**	**–**	**1,780**	**–**	**1,780**
Other comprehensive expense for the year	**–**	**–**	**(566)**	**–**	**–**	**(566)**	**–**	**(566)**
(Loss) profit and other comprehensive (expense) income for the year	**–**	**–**	**(566)**	**1,780**	**–**	**1,214**	**–**	**1,214**
Issuance of new shares (note 22(iii))	**2,000**	**60,000**	**–**	**–**	**–**	**62,000**	**–**	**62,000**
Capitalisation issue (note 22(ii))	**5,990**	**(5,990)**	**–**	**–**	**–**	**–**	**–**	**–**
Transaction costs attributable to issuance of new shares (note 22(iii))	**–**	**(11,090)**	**–**	**–**	**–**	**(11,090)**	**–**	**(11,090)**
At 31 December 2018	**8,000**	**57,083**	**(404)**	**1,286**	**(5,664)**	**60,301**	**–**	**60,301**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**3,283**	243
Adjustments for:			
Depreciation of property, plant and equipment		**1,544**	1,179
Finance costs		**3**	9
Interest income		**(320)**	(8)
Waiver of other payable income		**(536)**	–
Operating cash flows before movements in working capital		**3,974**	1,423
Decrease in inventories		**108**	323
Increase in trade receivables		**(438)**	(18)
Decrease in other receivables, deposits and prepayments		**3,370**	298
Decrease in trade payables		**–**	(9)
(Decrease) increase in other payables and accrued charges		**(2,379)**	1,530
Cash generated from operations		**4,635**	3,547
Income tax paid		**(2,710)**	(2,462)
NET CASH FROM OPERATING ACTIVITIES		**1,925**	1,085
INVESTING ACTIVITIES			
Deposits paid for acquisition of property, plant and equipment		**–**	(3,061)
Purchases of property, plant and equipment		**(7,534)**	(624)
Decrease in amount due from a related company		**–**	129
Interest received		**320**	8
Repayment from a director		**–**	271
NET CASH USED IN INVESTING ACTIVITIES		**(7,214)**	(3,277)
FINANCING ACTIVITIES			
Repayment of obligation under finance lease	20	**(183)**	(214)
Repayment to advance from a director	20	**–**	(230)
Dividend paid	20	**(10,800)**	(6,875)
Interest paid	20	**(3)**	(9)
Proceeds from issue of new shares	22	**62,000**	–
Transaction costs attributable to issuance of new shares	20	**(11,090)**	(2,312)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**39,924**	(9,640)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**34,635**	(11,832)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**12,746**	24,543
EFFECT OF FOREIGN CURRENCY RATE CHANGES		**(87)**	35
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**47,294**	12,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Its ultimate and immediate holding company is Causeway Treasure Holding Limited ("**Causeway Treasure**"), an entity incorporated in the British Virgin Islands (the "**BVI**"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in Hong Kong is 14th Floor, McDonald's Building, 48 Yee Wo Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the "**Group**") are principally engaged in 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

Pursuant to the group reorganisation stated in the Company's prospectus dated 15 February 2018 (the "**Prospectus**") in preparation for the listing of the Company's shares on the GEM of the Stock Exchange (the "**Reorganisation**"), the Company became the holding company of the subsidiaries now comprising the Group on 6 July 2017, the details of which are set out in the Prospectus.

As the Group comprising the Company and its subsidiaries resulting from the Reorganisation continued to be controlled by Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy, Ms. Au-Yeung Ying Ho and Causeway Treasure (collectively the "**Controlling Shareholders**") and is regarded as a continuing entity, accordingly, the consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group throughout the year ended 31 December 2017 under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting, Under Common Control Combinations" 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 the year ended 31 December 2017 include the results, changes in equity and cash flows of the companies comprising the Group as if the group structure had been in existence throughout the two years ended 31 December 2018.

Non-controlling interests for the year ended 31 December 2017 comprised of Mr. Cheung Kam Ting's interests in Max Sight, Fullwise and MV Asset and Photo-Me International Plc. ("**Photo-Me**")'s interests in Max Sight and Fullwise.

The shares of the Company have been listed on GEM of Stock Exchange with effect from 28 February 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded Hong Kong Accounting Standards ("**HKAS**") 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue solely arising from provision of photography service.

In the opinion of the directors of the Company the application of HKFRS 15 has no impact on, except for more disclosure are required, the amounts recognised in the consolidated financial statements and classification of items in the consolidated statement of financial position.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

3.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

ECL for other financial assets at amortised cost, including bank balances and other receivables, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

After performing the assessment of expected credit loss on the Group's existing trade receivables, other receivables and bank balances, no expected credit loss allowance was recognised by the Group as at 1 January 2018 as the amount is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease 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.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 "Leases" (continued)

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. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands 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.

Other than certain requirements which are also applicable to lessor, 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 at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$14,333,000 as disclosed in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$2,272,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the 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.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Goods, services and interests

Revenue from provision of photography service is recognised at a point in time when the Group completes satisfaction of the relevant performance obligation.

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.

Revenue recognition (prior to 1 January 2018)

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 a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment loss on assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of those assets are estimated individually, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment loss on assets other than financial assets (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Leases

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (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 financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at Fair value through Other Comprehensive Income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (continued)

All other financial assets are subsequently measured at Fair Value Through Profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in Other Comprehensive Income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk
In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(i) Significant increase in credit risk (continued)
Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 20 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default
Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets
A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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, deposits and bank balances) 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 (before application of HKFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (before application of HKFRS 9 on 1 January 2018) (continued)

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

The Group's financial liabilities including other payables, accrued charges and dividend payables are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 have expired. 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 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

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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. Any changes in the liabilities' carrying amount resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the income tax expense currently payable and deferred 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 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 assets and liabilities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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).

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FOR THE YEAR ENDED 31 DECEMBER 2018

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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

After performing the assessment of expected credit loss on the Group's existing trade receivables, no expected credit loss allowance was recognised by the Group as at 1 January 2018 and 31 December 2018 as the amount is not material.

6. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable from provision of photography service by the Group to external customers, net of sales returns.

Segment information

The Group's operation is solely derived from provision of photography service in Hong Kong and Guangdong Province, PRC, during both years.

Information reported to the executive directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment focuses on revenue analysis by geographic location of customers. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures and geographic information are presented.

No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

6. REVENUE AND SEGMENTAL INFORMATION (continued)

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 Year ended 31 December		Non-current assets As at 31 December	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000 (Note)**	2017 HK$'000 (Note)
Hong Kong	**49,868**	40,826	**1,202**	1,270
PRC	**4,865**	5,665	**9,970**	4,347
	54,733	46,491	**11,172**	5,617

	2018 HK$'000	2017 HK$'000
Timing of revenue recognition		
A point in time	**54,733**	46,491

Note: Non-current assets excluded financial instruments.

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

7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

Other income

	2018 **HK$'000**	2017 HK$'000
Interest income	**320**	8
Trading of photo-booths (Note a)	**–**	150
Sales of photo strips	**125**	–
Waiver of other payable (Note b)	**536**	–
	981	158

Other gains and losses, net

	2018 **HK$'000**	2017 HK$'000
Net exchange (loss) gain	**(144)**	65

Notes:

(a) Amount represents one-off transaction with a customer to supply two photo booths.

(b) During the year ended 31 December 2018, the Group entered into a supplementary agreement with a supplier. Pursuant to which, the supplier waived licence fee payable by the Group of HK$536,000. The amount is credited to profit or loss.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy, Mr. Wu Siu Tong, Mr. Cheung Kam Ting and Mr. Riccardo Costi were appointed as directors of the Company on 26 January 2017. Mr. Ngai James, Mr. Hui Chi Kwan and Mr. Kwok Tsun Wa were appointed as directors of the Company on 8 February 2018. The emoluments paid or payable to the directors 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		Independent non-executive directors			
	Mr. Chan Tien Kay, Timmy	Mr. Chan Wing Chai, Jamson	Mr. Wu Siu Tong	Mr. Cheung Kam Ting	Mr. Riccardo Costi	Mr. Ngai James	Mr. Hui Chi Kwan	Mr. Kwok Tsun Wa	Total
	HK$'000 (Note a)	HK$'000 (Note a)	HK$'000 (Note a)	HK$'000 (Note b)	HK$'000 (Note b)	HK$'000 (Note b)	HK$'000 (Note b)	HK$'000 (Note b)	HK$'000
Year ended 31 December 2018									
Fees	**1,000**	**200**	**200**	**17**	**17**	**151**	**101**	**101**	**1,787**
Other emoluments									
Salaries	**225**	**985**	**–**	**–**	**–**	**–**	**–**	**–**	**1,210**
Retirement benefit scheme contributions	**39**	**119**	**10**	**–**	**–**	**–**	**–**	**–**	**168**
Allowance and other benefits	**4**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4**
Total emoluments	**1,268**	**1,304**	**210**	**17**	**17**	**151**	**101**	**101**	**3,169**
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

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 independent non-executive directors and non-executive directors were mainly for their services as directors of the Company.

(c) Director's bonus is granted based on profit before tax of Max Sight for year ended 31 December 2017.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

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:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**1,360**	1,309
Bonus (Note)	**116**	76
Retirement benefit scheme contributions	**80**	70
	1,556	1,455

Their emoluments were within the following band:

	2018 **No. of** **individuals**	2017 No. of individuals
Nil to HK$1,000,000	**3**	3

Note: During the year ended 31 December 2018, discretionary bonus is granted based on the performance of the Group. Discretionary bonus was granted based on profit before tax of Max Sight for 31 December 2017.

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.

9. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interest on finance lease	**3**	9

10. PROFIT BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,050**	1,100
Depreciation of property, plant and equipment	**1,544**	1,179
Directors' remuneration (note 8)	**3,169**	2,711
Other staff costs		
Salaries and other benefits	**6,831**	5,683
Retirement benefits scheme contributions	**401**	366
Total staff costs	**10,401**	8,760
Lease and licencing payments under operating leases in respect of land and buildings		
— Minimum lease payment	**10,312**	9,246
— Contingent rent	**16,247**	12,360
Total lease and licencing payments	**26,559**	21,606
Cost of inventories recognised as an expense	**1,134**	1,079

11. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Hong Kong Profits Tax:		
— Current tax	**1,620**	1,759
— Overprovision in prior years	**(28)**	(40)
	1,592	1,719
PRC Enterprise Income Tax:		
— Current tax	**–**	363
— (Overprovision) underprovision in prior years	**(83)**	20
	(83)	383
Deferred tax credit (note 21)	**(6)**	(26)
	1,503	2,076

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The tax charge for both years can be reconciled to the profit before taxation as follows:

	2018 HK$'000	2017 HK$'000
Profit before taxation	**3,283**	243
Tax at the domestic income tax rate of 16.5%	**542**	40
Tax effect of income not taxable for tax purpose	**(264)**	(15)
Tax effect of expenses not deductible for tax purpose	**1,549**	1,949
Overprovision in prior years	**(111)**	(20)
Income tax at concessionary rate	**(165)**	–
Effect of different tax rate of subsidiary operating in other jurisdiction	**(48)**	122
Tax charge for the year	**1,503**	2,076

12. DIVIDENDS

No dividend has been paid or proposed by the Group for the year ended 31 December 2018.

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

	2017 HK$'000
Max Sight	12,600
MV Asset	125
Treasure Star	4,950

13. EARNINGS (LOSS) PER SHARE

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

	2018 **HK$'000**	2017 HK$'000
Earnings (loss):		
Earnings (loss) for the purpose of calculating basic earnings (loss) per share		
— Profit (loss) for the year attributable to the owners of the Company	**1,780**	(3,486)

	'000	'000
Weighted average number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**768,219**	512,147

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined and described in note 22) had been effective on 1 January 2017.

No diluted earnings (loss) 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 2017	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
Exchange realignment	(11)	–	(1)	–	(547)	–	(559)
Additions	283	–	–	–	10,312	–	10,595
Written off	–	–	–	–	(194)	–	(194)
As at 31 December 2018	1,222	182	162	747	18,595	1,411	22,319
ACCUMULATED DEPRECIATION							
As at 1 January 2017	(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)
Exchange realignment	2	–	1	–	121	–	124
Provided	(48)	(2)	(4)	(5)	(1,414)	(71)	(1,544)
Eliminated on written off	–	–	–	–	194	–	194
As at 31 December 2018	**(994)**	**(177)**	**(154)**	**(689)**	**(7,722)**	**(1,411)**	**(11,147)**
CARRYING AMOUNTS							
As at 31 December 2018	**228**	**5**	**8**	**58**	**10,873**	**–**	**11,172**
As at 31 December 2017	**2**	**7**	**12**	**63**	**2,401**	**71**	**2,556**

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 fixture	25%
Plant and machinery	20%
Motor vehicles	33.33%

The carrying amount of motor vehicles of HK$71,000 as at 31 December 2017 was being the asset held under finance lease. The charge was released during the year ended 31 December 2018.

15. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables		
— goods and services	**1,140**	702
Less: Allowance for credit losses	**–**	–
	1,140	702

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 presented based on the monthly statement issued to the lessor at the end of the reporting period.

	2018 HK$'000	2017 HK$'000
0–20 days	**1,140**	702

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in note 28.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Rental and utilities deposits	**2,275**	2,211
Prepayments	**272**	289
Other receivables	**201**	360
Deferred issue costs	**–**	3,320
Deposits for acquisition of property, plant and equipment	**–**	3,061
Total	**2,748**	9,241
Presented as non-current assets	**1,838**	4,929
Presented as current assets	**910**	4,312
Total	**2,748**	9,241

As at 31 December 2017, the balance included an aggregate amount of HK$780,000 in relation to the deposits for the acquisition of property, plant and equipment placed to a subsidiary of Photo-Me.

Details of impairment assessment of deposits and other receivables for the year ended 31 December 2018 are set out in note 28.

17. BANK BALANCES AND CASH

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.01% to 2.1% per annum as at 31 December 2018 (2017: 0.01% to 0.02% per annum).

Details of impairment assessment of bank balances for the year ended 31 December 2018 are set out in note 28.

18. OTHER PAYABLES AND ACCRUED CHARGES

	2018 **HK$'000**	2017 HK$'000
Accrued expenses	**551**	470
Accrued listing expenses	**–**	3,159
Salaries payables and provision for bonus	**958**	429
Machine licence fee payable	**–**	542
Photo validation fee payable	**2**	163
Other lease and licence fee payables	**905**	454
Other payables	**110**	232
Other tax payables	**31**	41
	2,557	5,490

As at 31 December 2017, the balance included an aggregate amount of approximately HK$155,000 in relation to the purchase of photo booths from a subsidiary of Photo-Me. The amount was fully settled during the year ended 31 December 2018.

19. OBLIGATION UNDER FINANCE LEASE

As at 31 December 2017, the amount represented the Group's obligation under finance lease payable within one year.

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 was fixed at the contract date of 3.08% per annum.

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FOR THE YEAR ENDED 31 DECEMBER 2018

20. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes					Non-cash changes			
	As at 1 January 2017	Financing cash flow	Finance cost recognised	Dividend declared	Share issue costs incurred	As at 31 December 2017	Financing cash flow	Financing cost recognised	Utilisation of prepayment	Share issue cost incurred	As at 31 December 2018
	HK$'000	HK$'000 (Note)	HK$'000 (note 9)	HK$'000 (note 12)	HK$'000	HK$'000	HK$'000 (Note)	HK$'000 (note 9)	HK$'000	HK$'000	HK$'000
Obligation under finance lease	397	(223)	9	–	–	183	(186)	3	–	–	–
Amount due to a director	230	(230)	–	–	–	–	–	–	–	–	–
Dividend payables	–	(6,875)	–	17,675	–	10,800	(10,800)	–	–	–	–
Accrued listing expenses	–	(2,280)	–	–	3,070	790	(11,090)	–	–	10,300	–
Prepaid deferred issue costs	(250)	(32)	–	–	250	(32)	–	–	32	–	–

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

21. 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 2017	156
Credit to profit or loss (note 11)	(26)
At 31 December 2017	130
Credit to profit or loss (note 11)	(6)
At 31 December 2018	124

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 difference attributable to accumulated profits of the PRC subsidiary amounting to HK$2,268,000 as at 31 December 2018 (2017: HK$2,834,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

22. SHARE CAPITAL

The share capital of the Group at 1 January 2017 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 2018 represents the share capital of the Company as follows:

	Number of shares	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
Increase of authorised share capital with par HK$0.01 each on 2 February 2018 (Note i)	4,962,000,000	49,620
At 31 December 2018	5,000,000,000	50,000
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
Capitalisation Issue (Note ii)	599,000,000	5,990
Issue of new shares upon listing (Note iii)	200,000,000	2,000
At 31 December 2018	800,000,000	8,000

Notes:

(i) Pursuant to the written resolution passed at the extraordinary general meeting on 8 February 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 shares of a par value of HK$0.01 each by the creation of an additional 4,962,000,000 shares.

(ii) Pursuant to the written resolution passed at the extraordinary general meeting on 8 February 2018, the directors of the Company were authorised to capitalise the amount of HK$5,990,000 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par. The capitalisation issue was completed on 28 February 2018 (the "**Capitalisation Issue**").

(iii) On 28 February 2018, 200,000,000 shares of the Company were issued at HK$0.31 per share for a total consideration of HK$62,000,000. During the year ended 31 December 2018, the transaction costs attributable to issuance of new shares was approximately HK$11,090,000.

All issued shares rank pari passu in all respects.

23. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

The Group leases various outlets and offices under non-cancellable operating lease/licencing 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/licencing which fall due as follows:

	2018 **HK$'000**	2017 HK$'000
Land and buildings		
Within one year	**8,229**	9,368
In the second to fifth year inclusive	**6,104**	9,710
	14,333	19,078

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 of the Company, 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

	2018 **HK$'000**	2017 HK$'000
Capital expenditure in respect of addition of property, plant and equipment — contracted for but not provided in the consolidated financial statements	**–**	7,048

24. 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:

		2018 HK$'000	2017 HK$'000
(a)	**Various subsidiaries of Photo-Me**		
	Machine leasing fee	–	81
	Purchase of consumables	930	586
	Purchase of machineries	3,272	657
	Purchase of spare parts	54	17
(b)	Rental expenses paid to a company owned by Mr. Chan Tien Kay, Timmy and Ms. Au-Yeung Ying Ho and a company owned by Mr. Cheung Kam Ting	604	604
(c)	Salaries and other benefits paid to Ms. Au-Yeung Ying Ho	143	541
(d)	**A company which a family member of Mr. Riccardo Costi has less than 5% interest**		
	Purchase of consumables	11	–
	Purchase of machineries	120	–

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, 18 and 20 respectively.

During year ended 31 December 2017, 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 2018 and 2017 were as follows:

	2018 HK$'000	2017 HK$'000
Short-term benefits	4,783	3,702
Post-employment benefits	262	213
	5,045	3,915

25. 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.

26. 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		Nominal value of issue ordinary share capital/ registered capital	Principal activities
			2018	2017		
Max Sight (BVI) Limited	BVI	Hong Kong	**100%**	100%	HK$1	Investment holding
Treasure Star (China) Holding Limited	BVI	Hong Kong	**100%**	100%	HK$1	Investment holding
Max Sight	Hong Kong	Hong Kong	**100%**	100%	HK$4,000,000	Provision of photography services by supplying ID photo booths
MV Asset	Hong Kong	Hong Kong	**100%**	100%	HK$2	Holding of licencing agreements
Treasure Star	Hong Kong	Hong Kong	**100%**	100%	HK$10,000	Provision of photography services by supplying ID photo booths
Max Sight International	Hong Kong	Hong Kong	**100%**	100%	HK$10,000	Holding of licencing agreements
Guangzhou Max Sight Photo-Me Co. Ltd. ("**GZ Max Sight**")	PRC	PRC	**100%**	100%	RMB5,000,000 (2017: RMB700,000) (Note)	Provision of photography services by supplying ID photo booths
Fullwise	Hong Kong	Hong Kong	**100%**	100%	HK$1,000,000	Holding of licencing agreement

Note: The registered capital of GZ Max Sight was increased to RMB5,000,000 from 8 February 2018.

26. 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	
		2018	2017	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Max Sight	Hong Kong	**–**	–	**–**	1,722	**–**	–
Individually immaterial subsidiaries with non–controlling interests	Hong Kong	**N/A**	N/A	**–**	(69)	**–**	–
				–	1,653	**–**	–

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 HK$'000
Current assets	N/A
Non-current assets	N/A
Current liabilities	N/A
Non-current liabilities	N/A
Equity attributable to owners of the Company	N/A
Non-controlling interests	N/A

26. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Max Sight and its subsidiary (continued)

	2017 HK$'000
Revenue	28,648
Cost of sales	(14,113)
Other income	641
Other gains and losses, net	47
Expenses	(8,969)
Profit for the year	6,254
Profit attributable to owners of the Company	4,532
Profit attributable to non-controlling interests of Max Sight	1,722
Profit for the year	6,254
Other comprehensive income attributable to owners of the Company	194
Other comprehensive income attributable to the non-controlling interests of Max Sight	52
Other comprehensive income for the year	246
Dividend declared to non-controlling interests of Max Sight	6,582

	2017 HK$'000
Net cash inflow from operating activities	8,072
Net cash outflow used in investing activities	(14,966)
Net cash outflow used in financing activities	(4,223)
Net cash outflow	(11,117)

Upon the completion of Reorganisation, all subsidiaries of the Company have become wholly-owned by the Company on 6 July 2017. No summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is shown for the year ended 31 December 2018.

27. 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 include and obligation under finance lease as disclosed in note 19, and equity of the Group, comprising share capital, share premium, other reserves and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**50,910**	16,019
Financial liabilities		
Amortised cost	**1,568**	15,820

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, deposits, bank balances and cash, other payables and accrued charges (2017: trade receivables, other receivables, deposits, bank balances and cash, other payables, accrued charges and dividend payables). 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.

28. FINANCIAL INSTRUMENTS (continued)

(b) 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	
	2018	2017
	HK$'000	HK$'000
RMB	**251**	263
GBP	**–**	3
EUR	**–**	198
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.

	2018	2017
	HK$'000	HK$'000
Increase in profit for the year (2017: decrease in loss)	**21**	39

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28. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in bank balances (note 17) as at 31 December 2018 and 2017.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate will not have significant impact on the interest income for bank balances, hence sensitivity analysis is not presented.

Credit risk and impairment assessment

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

After the adoption of the HKFRS 9, in addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets, except for trade receivables, that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on 12m ECL.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items on an individual basis for customer with significant balance and/or collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast director of conditions at the reporting date.

In order to minimise credit risk, the management of the Group has monitored and maintained the Group's credit risk gradings to categories exposures according to their degree of risk of default.

After performing the assessment of expected credit loss on trade receivables, no expected credit loss allowance was recognised as the amount is not material.

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

28. FINANCIAL INSTRUMENTS (continued)

(b) 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.

For deposits and other receivables, management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 January 2018. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables deposits. The management of the Group considered that the ECL rate for deposits and other receivables is 0.1% as at 1 January 2018 and 31 December 2018 as there has been no history of default.

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	1–6 months	7–12 months	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2018							
Non-derivative financial liability							
Other payables	**N/A**	**1,568**	**–**	**–**	**–**	**1,568**	**1,568**
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

(c) 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.

29. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2018, a supplier of the Group waived licence fee payable by the Group of HK$536,000.

30. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current asset		
Investment in subsidiaries	**14,173**	14,173
Current assets		
Amount due from subsidiaries	**30,606**	–
Prepayments	**258**	179
Deferred issue costs	**–**	3,320
Bank balances and cash	**526**	–
	31,390	3,499
Current liabilities		
Amount due to subsidiaries	**–**	11,608
Other payables and accrued charges	**–**	3,159
	–	14,767
Net current assets (liabilities)	**31,390**	(11,268)
Net assets	**45,563**	2,905
Capital reserves		
Share capital	**8,000**	10
Share premium and reserves	**37,563**	2,895
Equity attributable to owners of the Company	**45,563**	2,905

31. RESERVES 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
Loss for the year	–	(8,252)	(8,252)
Issuance of new shares (note 22(iii))	60,000	–	60,000
Capitalisation Issue (note 22(ii))	(5,990)	–	(5,990)
Transaction costs attributable to issuance of new shares (note 22(iii))	(11,090)	–	(11,090)
At 31 December 2018	57,083	(19,520)	37,563

32. SUBSEQUENT EVENT

On 22 February 2019, GZ Max Sight entered into a non-legally binding memorandum of understanding with an independent third party in respect of a possible acquisition of the independent third party's business relating to automatic identification photo booths operations in the PRC for a consideration to be determined. For further details, please refer to the announcement of the Company dated 22 February 2019.

FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**54,733**	46,491	47,453	49,753
Profit before taxation	**3,283**	243	11,076	11,658
Income tax expense	**(1,503)**	(2,076)	(2,076)	(2,020)
Profit/(loss) for the year	**1,780**	(1,833)	9,000	9,638

ASSETS AND LIABILITIES

	Year ended 31 December			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**62,982**	25,525	32,458	27,235
Total liabilities	**(2,681)**	(17,348)	(5,018)	(4,659)
	60,301	8,177	27,440	22,576