

# Max Sight Photo 名仕快相

## Max Sight Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8483



**2019**  
ANNUAL REPORT

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*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](http://www.maxsightgroup.com).*

# CONTENTS

	Page
Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	6
Directors and Senior Management	12
Report of Directors	16
Corporate Governance Report	30
Environmental, Social and Governance Report	45
Independent Auditor's Report	51
Consolidated Statement of Profit or Loss and Other Comprehensive Income	57
Consolidated Statement of Financial Position	58
Consolidated Statement of Changes in Equity	59
Consolidated Statement of Cash Flows	60
Notes to the Financial Statements	61
Financial Summary	107

# 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  
(*Resigned on 20 March 2020*)

### 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  
(*Resigned on 9 May 2019*)

Mr. Wong Chi Hong  
(*Appointed on 9 May 2019*)

Mr. Chan Wing Chai, Jamson  
(*Alternate Authorised Representative*)

## COMPANY SECRETARY

Mr. Wong Chi Hong

## COMPLIANCE OFFICER

Mr. Chan Tien Kay, Timmy

## AUDITORS

KPMG

*Public Interest Entity Auditor  
registered in accordance with  
the Financial Reporting  
Council Ordinance*

8th Floor, Prince's Building

10 Chater Road

Central, 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

## PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

# CORPORATE INFORMATION

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited  
Suite 2508-14  
25/F, Tower 6  
The Gateway, Harbour City,  
Tsimshatsui  
Kowloon, 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](http://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 2019.

For the year ended 31 December 2019, the Group continued to act as a leading automatic identity documentation ("**ID**") 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 year ended 31 December 2019 marked the beginning of the third year since the Company was successfully listed on the Stock Exchange on 28 February 2018 (the "**Listing**"). We will endeavor continuously to replicate the success of our business model in Hong Kong to the People's Republic of China (the "**Mainland China**") by expanding our network of automatic ID photo booths through installing photo booths in the selected sites and business acquisitions in the markets. We believe that the automatic photo booth business has considerable expansion potential in the Guangdong Province, other provinces in the Mainland China and other places and countries in the world. During the year ended 31 December 2019, we have also engaged a vendor for upgrading our information technology ("**IT**") infrastructure including but not limited to the telemetry system and e-payment facilities.

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.

The year ending 31 December 2020 will be a difficult year due to the outbreak of the novel coronavirus, the ongoing public activities and continuous changes in the government policy, it has a major impact on photo booth market and the Group's operating environment. We have taken time to reassess the existing projects. The meetings and the ongoing schedules with our business partners and vendor are also postponed.

## RESULTS

For the year ended 31 December 2019, we generated revenue of approximately Hong Kong Dollars ("**HK\$**") 59,313,000, while our loss attributable to owners of the Group was approximately HK\$4,946,000. Such loss mainly resulted from the impairment of property, plant and equipment and right-of-use assets of the Group in Mainland China of approximately HK\$11,663,000 during the year ended 31 December 2019.

## 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 2019.

# 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 2019, our revenue 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 (the "**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 2019, 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**

**Mr. Chan Wing Chai, Jamson**

*Chairman*

Hong Kong, 20 March 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

We are principally engaged in provision of photography services through automatic ID photo booths at different locations in Hong Kong and Guangdong Province, Mainland China. The business in Hong Kong has exhibited growth and the sales in Hong Kong increased during the year ended 31 December 2019. It was attributed to the increase in the sales prices and the number of transactions generated by photo booths in Hong Kong.

We received a letter of acceptance from a Hong Kong government authority, which is responsible for issuance of ID documents, through tendering for the provision of automatic photographic studio services at the lessor's offices in Hong Kong for a period of 24 months with effective from 1 March 2019. For further details, please refer to the announcement of the Company dated 15 April 2019.

Due to the ongoing public activities in Hong Kong, the shortening of business hours and abrupt closure of business for our licensed sites had happened and our revenue was affected during the year ended 31 December 2019. The business operations of certain licensed sites are subject to different extent of adverse impacts. We will continuously strive to coordinate with various property owners, customers and our employees to provide photography services.

In the meanwhile, there are unexpected changes in policy from ID Issuing Authorities in Hong Kong, such as application process and business hours, hence lead to downward pressure on these business in Hong Kong. We are endeavored to monitor the market responses and minimise the impacts of each new policy.

We intend to replicate the success of our business model in Hong Kong to the Mainland China and other countries by expanding our network of automatic photo booths through installing new photo booths in certain selected sites or business acquisition in the market. We believe that the automatic photo booth business has considerable expansion potential in the Guangdong Province, other provinces in the Mainland China and other places and countries in the world.

Expanding our photo booths network is the key to develop our business in the Mainland China. Due to the continuous changes in the government policy for ID photos in the Mainland China and the business in the Mainland China was adversely impacted by macro headwinds and uncertainty, our expansion plan in the Guangdong Province was slightly delayed. We are endeavored to monitor the market responses and minimise the impacts of each new policy. We have performed market researches and held meetings with vendors to explore and discuss any business opportunities in the Guangdong Province and other provinces in the Mainland China.

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 Issuing Authorities. Other than expanding into the locations of ID Issuing Authorities, we are also exploring opportunities to develop our network in the Mainland China railways stations, shopping malls, large residential area etc. We are in negotiation with the property owners and business partners to expand our photo booths network in the Guangdong Province, other provinces in the Mainland China and other places and countries in the world.

Due to the outbreak of the novel coronavirus, the ongoing public activities and continuous change in the government policy, we have taken time to reassess the existing projects including expansion of network of automatic ID photo booths and upgrading of validation centre and IT infrastructure. The meetings and the on-going schedules with our business partners and vendor are also postponed during the year ended 31 December 2019 and up to the date of this annual report.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

As the customers increasingly expect the photography service providers to streamline photo-taking workflows and provide high-quality photos, we believe that having high quality photo booths and investing in the IT infrastructure are likely to strengthen leadership status in the industry. During the year ended 31 December 2019, we engaged a vendor for upgrading our IT infrastructure including but not limited to the telemetry system and e-payment facilities.

We are optimistic about our core business and shall continue to capture market opportunities and expand our network of automatic photo booths. In addition, we will also actively research and find new business opportunities to develop a diversified business, so as to achieve sustainable business growth and long-term benefits for our Shareholders.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately HK\$4,580,000, from approximately HK\$54,733,000 for the year ended 31 December 2018 to approximately HK\$59,313,000 for the year ended 31 December 2019. For the year ended 31 December 2019, the increase in revenue was attributed to the increases in the sales prices and the number of transactions generated by photo booths.

### Cost of services

The Group's cost of services primarily consisted of (i) licence fees paid to lessors for the operational sites of our photo booths; (ii) staff costs in relation to photo booth attendants; (iii) photo booth consumables; (iv) depreciations; and (v) others. Our cost of services was mainly comprised of licence fees paid/payable and depreciation on right-of-use assets for premises of our photo booths, which accounted for approximately 80.74% and 82.22% of our total cost of services, for the years ended 31 December 2019 and 2018 respectively.

### Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK\$21,975,000 and HK\$23,234,000 for the years ended 31 December 2019 and 2018 respectively, representing gross profit margin of approximately 37.05% and 42.45% respectively, the decrease was mainly attributable to the increase in the depreciation of property, plant and equipment and the depreciation of right-of-use assets. For the years ended 31 December 2019 and 2018, 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 and interest income. Detailed information is set out in the note 5(a) to the consolidated financial statements.

### Other net losses

Other net losses represented net exchange losses of approximately HK\$160,000 and HK\$144,000 for the years ended 31 December 2019 and 2018 respectively.

### Administrative expenses

The Group's administrative expenses increased by approximately HK\$528,000, from approximately HK\$12,996,000 for the year ended 31 December 2018 to approximately HK\$13,524,000 for the year ended 31 December 2019. The increase was mainly attributable to the increases in (i) staff costs; (ii) Directors' emoluments; and (iii) legal and professional fees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

### Finance costs

Finance costs represented interest on lease liabilities of approximately HK\$553,000 and HK\$3,000 for the year ended 31 December 2019 and 2018 respectively.

### Listing expenses

The Group's listing expenses comprised of professional and other expenses in relation to the Listing of the issued shares of the Company (the "Shares") on GEM of the Stock Exchange on 28 February 2018, and amounted to approximately HK\$7,789,000 for year ended 31 December 2018.

### Income tax expenses

Income tax expenses amounted to approximately HK\$1,526,000 and HK\$1,503,000 for the years ended 31 December 2019 and 2018, maintained at a stable level.

### Impairment of property, plant and equipment and right-of-use assets

The Group had reported a loss in the Mainland China segment for the year ended 31 December 2019. Management considered this as an impairment indicator on the property, plant and equipment and right-of-use assets and has performed an impairment assessment on these assets as at 31 December 2019 to determine the recoverable amount using value-in-use calculation.

Based on the results of the assessment, it is concluded that impairment losses of property, plant and equipment and right-of-use assets amounting to approximately HK\$11,663,000 was recognised in profit or loss for the year ended 31 December 2019. Such impairment loss will constitute a non-recurring non-cash gain and loss item and hence without any impact on the Group's operating cash flows.

### (Loss)/profit attributable to owners of the Company

The loss attributable to owners of the Company increased by approximately HK\$6,726,000 from a profit attributable to owners of the Company approximately HK\$1,780,000 for the year ended 31 December 2018 to loss attributable to owners of the Company approximately HK\$4,946,000 for the year ended 31 December 2019. Such loss mainly resulted from the impairment loss of property, plant and equipment and right-of-use assets of the Group in Mainland China of approximately HK\$11,663,000 during the year ended 31 December 2019.

### Segment information

An analysis of the Group's performance for the years ended 31 December 2019 and 2018 by geographical information is set out in the note 4(b) 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 flows generated from our operations. As at 31 December 2019, the Group did not have any interest-bearing borrowings and therefore the gearing ratio is not applicable to the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

### Liquidity and capital resources (continued)

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 2019 and 2018 were primarily related to expenditures on additions of property, plant and machinery, amounting to approximately HK\$21,000 and HK\$10,595,000 respectively.

### Use of proceeds from the Company's share offer

The Company has received the proceeds from the share offer of 200,000,000 Shares at a price of HK\$0.31 each on 28 February 2018 (the "Listing Date"). The gross proceeds from the share offer amounted to approximately HK\$62,000,000 and the net proceeds was approximately HK\$31,852,000. As at 31 December 2019, approximately HK\$7,126,000 had been utilised, detailed information has been set out in the following table, prospectus of the Company dated 15 February 2018 (the "Prospectus") and the section headed "Use of proceeds from the Company's share offer and change in use of proceeds" in the announcement of the Company dated 10 May 2018 (the "Announcement").

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

	Adjusted use of net proceeds as stated in the Announcement (HK\$'000)	Actual utilised net proceeds up to 31 December 2019 (HK\$'000)	Unutilised net proceeds up to 31 December 2019 (HK\$'000)	Expected time of fully use of net unutilised proceeds
Expansion of network of automatic ID photo booths				
— Guangdong Province	29,381	6,652	22,729	31 December 2021
— Hong Kong	471	282	189	31 December 2021
Upgrading of validation centre and IT infrastructure	2,000	192	1,808	31 December 2021
Total	31,852	7,126	24,726	

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

### Use of proceeds from the Company's share offer (continued)

The Company is currently discussing certain business opportunities in Guangdong Province and other provinces in the Mainland China with Prestige Technology Company Limited to pursue the original plan as disclosed in the Prospectus.

During the year ended 31 December 2019, we engaged a vendor for upgrading our IT infrastructure including but not limited to the telemetry system and e-payment facilities.

As a result of the outbreak of the novel coronavirus, ongoing public activities and continuous changes in the government policy, our business developments in Guangdong Province and Hong Kong were delayed during the year ended 31 December 2019 and up to the date of this annual report. The proceeds of HK\$22,729,000 and HK\$189,000 in relation to the expansion of network of automatic ID photo booths in Guangdong Province and Hong Kong and the proceed of HK\$1,808,000 in relation to upgrading of validation centre and IT infrastructure will be fully utilised on or before 31 December 2021.

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 Mainland China Government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

### Significant investments

As at 31 December 2019 and 2018, the Group did not hold any significant investments.

### Material acquisitions and disposals of subsidiaries, associates and joint ventures

As at 31 December 2019 and 2018, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

### Pledge of assets

As at 31 December 2019 and 2018, the Group had no pledge of assets.

### Contingent liabilities

As at 31 December 2019 and 2018, the Group did not have any significant contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

### Subsequent events

The outbreak of the novel coronavirus since early 2020 has brought about additional uncertainties in the photography services market and the Group's operating environment. The Group has been closely monitoring the impact of the developments on the Group's businesses and has implemented contingency measures. The Group has also been negotiating with the various property owners to apply for the licence fee concessions. As far as the Group's businesses are concerned, the novel coronavirus outbreak has materially and adversely impacted on sales and may pose serious risk on employee's health, impact on the attendance rate of our service providers and higher administrative costs to be incurred for the purchase of cleaning equipment and consumables.

In the meanwhile, the Group considers that the decrease in the demand of ID photos at the first quarter of 2020 is temporary and the demand of ID photos will rise after the outbreak of the novel coronavirus subsides.

As the development and spread of novel coronavirus subsequent to the date of this annual report is uncertain, further changes in economic conditions for the Group arising thereof may have further impact on the financial results of the Group, the extent of which could not be estimated as at the date of this annual report. The Group will keep continuous attention on the situation of the novel coronavirus and react actively to its impact on the financial position and operating results of the Group.

### Dividends

An interim dividend of 0.5 Hong Kong cent per Share (2018: Nil) was paid on 13 September 2019. The Directors do not recommend to declare a final dividend for the year ended 31 December 2019. Other details are set out in note 18(b) to the consolidated financial statements.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Chan Wing Chai, Jamson (陳永濟)**, aged 73, 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 29 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 (the "SFO")). Mr. Chan is the spouse of Ms. Au-Yeung Ying Ho and Mr. Chan is also the father of Mr. Chan Tien Kay, Timmy and Mr. Chan Ernie Shiu Kay.

**Mr. Chan Tien Kay, Timmy (陳天奇)**, aged 46, 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 serving as a director of our subsidiaries. Through his previous positions at our subsidiaries, he has accumulated experience in the operation of automatic photo booths for around 23 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 SFO. Mr. Chan is the son of Mr. Chan Wing Chai, Jamson and the elder brother of Mr. Chan Ernie Shiu Kay.

**Mr. Wu Siu Tong (胡兆棠)**, aged 65, was appointed as an executive Director with effect from 26 January 2017 and resigned as an executive Director on 20 March 2020. 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 32 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.

# DIRECTORS AND SENIOR MANAGEMENT

## NON-EXECUTIVE DIRECTORS

**Mr. Cheung Kam Ting (張淦庭)**, aged 75, 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 42 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 75, 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 Guangzhou Max Sight Photo Company Limited (formerly known as Guangzhou Max Sight Photo-Me Co., Ltd.) from August 2005 to July 2018. Mr. Costi has accumulated over 37 years of extensive experience in the automatic photography industry.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ngai James (倪雅各)**, aged 56, 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, 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 31 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 70, 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, the shares of which are listed on the main board of the Stock Exchange (stock code: 0738).

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. Kwok Tsun Wa (郭振華)**, aged 73, 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 50 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.

## SENIOR MANAGEMENT

**Mr. Tam Ka Seng (譚家聲)**, aged 46, 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 25 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 43, 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 6 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.



## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chun Chi Sing, Benny (秦智聲)**, aged 54, 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 25 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 33, 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 9 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 2019.

## 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 2019 is set out in the note 12 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this annual report.

## FINAL DIVIDENDS

An interim dividend of 0.50 Hong Kong cent (2018: Nil) was paid on 13 September 2019. The Directors do not recommend to declare a final dividend for the year ended 31 December 2019. Other details are set out in note 18(b) 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 2019 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 11 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 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 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 2019, 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 45 to 50 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 2019, 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 five financial years is set out on page 107 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 2019 and 2018.

### Major suppliers

For the year ended 31 December 2019, the Group's two (2018: three) 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 93.2% (2018: 92.0%) 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 2019, none of the Directors or any of their close associates or any 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 Group during the year ended 31 December 2019 are set out in note 10 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 18(c) to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2019 are set out on pages 97 and 59 respectively of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 December 2019, the distributable reserves of the Company amounted to approximately HK\$20,043,000. No final dividend was declared for the year ended 31 December 2019.

## BANK LOANS AND OTHER BORROWINGS

As at 31 December 2019, the Group did not have any bank loans and other borrowings.

# REPORT OF DIRECTORS

## DIRECTORS

The Directors during the year ended 31 December 2019 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 (*Resigned on 20 March 2020*)

### 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 12 to 15 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 commencing from the Listing Date respectively, and shall thereafter continue on a month to month basis unless otherwise agreed between both parties by three months' notice and one month's notice in writing.

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 and shall thereafter continue on a month to month basis unless otherwise agreed between both parties by one month's notice in writing.

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 2019.

## 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 2019.

## 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 2019 are set out in notes 7(a) and 7(b) 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 18(b) 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 notes 6(b) and 7 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 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

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

Note:

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

# REPORT OF DIRECTORS

## 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 <sup>(1)</sup>	47.25%
Mr. Chan Tien Kay, Timmy	Causeway Treasure	Beneficial owner <sup>(1)</sup>	47.25%

Note:

- (1) The disclosed interest represents the interest in Causeway Treasure, the associated corporation which is approximately 47.25% owned by Mr. 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 2019, 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 2019 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.



# REPORT OF DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, 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 <sup>(1)</sup>	427,600,560	Long	53.45%
Ms. Au-Yeung Ying Ho	Interest in a controlled corporation <sup>(2)</sup>	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) 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 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

# REPORT OF DIRECTORS

## 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 2019 and there was no outstanding share option as at 31 December 2019.

### 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.

# REPORT OF DIRECTORS

## 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 2019, 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.

# REPORT OF DIRECTORS

## 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 2019 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 2019 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' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, during the year ended 31 December 2019, 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 follow the completion of the capitalisation issue and have 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.

# REPORT OF DIRECTORS

## 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 26 years starting from 1993, and Photo-Me International Plc. and its subsidiaries have provided us with a constant and timely supply of the products during the year ended 31 December 2019.

The aggregate transactions contemplated with Photo-Me International Plc. and its subsidiaries for the year ended 31 December 2019 shall not exceed the following caps:

	<b>Annual caps for the year ended 31 December 2019 HK\$'000</b>
Transaction amount of purchase of the photo booths and spare parts from Photo-Me International Plc. and its subsidiaries	5,300
Transaction amount of purchase of the photo booth consumables from Photo-Me International Plc. and its subsidiaries	1,400
<b>Maximum aggregate transaction amounts with Photo-Me International Plc. and its subsidiaries</b>	<b>6,700</b>

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 2019, 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.

# REPORT OF DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (continued)

### Master supply agreement (continued)

The auditor of the Company (the “**Auditor**”) has been engaged to perform procedures on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has advised that nothing has come to its attention and concludes 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 and note 21 to the consolidated financial statements, no other related party transactions 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 2019, the Group made the donations to five scholarships to secondary 3 to 6 students nominated by school teachers and social workers, who demonstrate resilience and a positive attitude in the face of adversity. The donations made by the Group during the year ended 31 December 2019 amounted to approximately HK\$26,000 (2018: Nil).

## SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2019, 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 EVENTS

Subsequent events are set out in the “Management Discussion and Analysis” on page 11 in this annual report.

## AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) had, together with the management and external Auditor, reviewed the accounting principles and policies adopted by the Group, the annual results and the consolidated financial statements for the year ended 31 December 2019.

# 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 30 to 44 of this annual report.

The compliance officer of the Company is Mr. Chan Tien Kay, Timmy, whose biographical details are set out on page 12. The company secretary of the Company is Mr. Wong Chi Hong who satisfies the qualification requirement under Rule 5.14 of the GEM Listing Rules. Mr. Wong Chi Hong's biographical details are set out on page 15.

## 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 2019 and up to the date of this annual report.

## AUDITORS

Deloitte Touche Tohmatsu was appointed as Auditors since the Listing of the issued Shares on GEM of the Stock Exchange on 28 February 2018. On 13 January 2020, Deloitte Touche Tohmatsu resigned as Auditors. On the same date, the Board appointed KPMG to fill the casual vacancy as Auditors until the conclusion of the 2019 AGM.

KPMG was appointed as the Auditors for the year ended 31 December 2019. The accompanying consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards have been audited by KPMG.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as Auditors is to be proposed at the forthcoming AGM.

On behalf of the Board

**Mr. Chan Wing Chai, Jamson**

*Chairman and executive Director*

Hong Kong, 20 March 2020

# 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 2019, discloseable transaction was not announced timely at the relevant time. For the detailed information, please refer to the announcement of the Company dated 15 April 2019. Saved as described above, 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

As at the date of this annual report, the Board comprises two 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 (*Resigned on 20 March 2020*)

#### 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.



# CORPORATE GOVERNANCE REPORT

## THE BOARD (continued)

During the year ended 31 December 2019 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.

# CORPORATE GOVERNANCE REPORT

## INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2019, 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 has signed a service contract with the Company for an initial term of three years or two years commencing from the Listing Date, which will continue thereafter unless terminated by either party giving at least three months' notice in writing.

Each of the non-executive Directors has signed a service contract with the Company for an initial term of two years commencing from the Listing Date, which will continue thereafter unless terminated by either party giving at least one month's notice in writing.

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 will continue thereafter unless terminated by either party giving at least one month's notice in writing.

None of the Directors has a service contract or letter of appointment 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 2019, four 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:

<b>Directors</b>	<b>Board meeting(s) attended/held</b>	<b>General meeting attended/held</b>
<b>Executive Directors:</b>		
Mr. Chan Wing Chai, Jamson	4/4	1/1
Mr. Chan Tien Kay, Timmy	4/4	1/1
Mr. Wu Siu Tong ( <i>Resigned on 20 March 2020</i> )	4/4	1/1
<b>Non-executive Directors:</b>		
Mr. Cheung Kam Ting	4/4	1/1
Mr. Riccardo Costi	1/4	1/1
<b>Independent Non-executive Directors:</b>		
Mr. Ngai James	4/4	1/1
Mr. Hui Chi Kwan	4/4	1/1
Mr. Kwok Tsun Wa	4/4	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 2019.

## 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.

# CORPORATE GOVERNANCE REPORT

## 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 Auditors by reference to the work performed by the Auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the Auditors;
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 Auditors 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 2019, the Audit Committee had held four meetings with the following matters:

- reviewed the quarterly, interim and annual results of the Group 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 Auditors; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditors.

During the year ended 31 December 2019, the attendance of each Audit Committee member is set out in the table below:

<b>Audit Committee member</b>	<b>Meeting(s) attended/held</b>
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 for the year ended 31 December 2019 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.

# CORPORATE GOVERNANCE REPORT

## 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.

During the year ended 31 December 2019, the Nomination Committee had held one meeting with the following matters:

1. reviewed the structure, size and composition of the Board at least annually and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. made recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors;
3. assessed the independence of independent non-executive Directors, having regards to the requirements under the GEM Listing Rules; and
4. reviewed Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee discussed any revisions that may be required, and recommended 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.

# CORPORATE GOVERNANCE REPORT

## 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;

# CORPORATE GOVERNANCE REPORT

## 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 2019, the attendance of each Nomination Committee member is set out in the table below:

<b>Nomination Committee member</b>	<b>Meeting attended/held</b>
Mr. Chan Wing Chai, Jamson	1/1
Mr. Ngai James	1/1
Mr. Kwok Tsun Wa	1/1



# CORPORATE GOVERNANCE REPORT

## 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 contracts;
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.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (continued)

### Remuneration Committee (continued)

During the year ended 31 December 2019, the Remuneration Committee had held 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 2019, 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 2019 are set out in notes 7(a) and (b) 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 2019 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 prepared by the Auditors regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 51 to 56 of this annual report.

# CORPORATE GOVERNANCE 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 2019, 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 2019, the Board has conducted a review of the effectiveness of the risk management and internal control systems and considered they are effective and adequate.

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

The main features of risk management and internal control structure of the Company 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 auditor provides independent assurance to the Board, the Audit Committee and the management concerning the effectiveness of risk management and internal control systems.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL (continued)

During the year ended 31 December 2019, 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 to 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.

## AUDITORS' REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditors to the Group during the year ended 31 December 2019 was approximately as follows:

Type of Services	Amount (HK\$'000)
Audit services	1,310
Non-audit services	20
<b>Total</b>	<b>1,330</b>

## COMPANY SECRETARY

The Company has appointed Mr. Wong Chi Hong as the company secretary with effect from 21 September 2018.

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 2019, 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.

# CORPORATE GOVERNANCE REPORT

## 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 opportunities 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's 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](http://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

For the year ended 31 December 2019, there were no changes in the constitutional documents of the Company.

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

During the year ended 31 December 2019, an associate of Mr. Riccardo Costi, a non-executive Director had interests in Dedem S.P.A. and its subsidiaries which are principally engaged in automatic ID photo booths operation and provision of auxiliary services to photo booths operation in Europe. As such, Mr. Riccardo Costi is regarded as having interests in the business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and the Shareholders and will avoid any potential conflicts of interests. During the year ended 31 December 2019, the Board was 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 2019, the Directors including the independent non-executive Directors, are not aware of any business or interest of the Directors, the management of the Company and their respective close associates (as defined) under the GEM Listing Rules that compete or may compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

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

On 11 July 2018, Max Sight Limited, a wholly-owned subsidiary of the Company, has entered into a credit facility agreement (the "**Facility Agreement**") with a licenced bank (the "**Lender**") for a loan facility in the aggregate amount of RMB5,300,000 which expired on 30 June 2019. On 23 July 2019, Max Sight Limited received a confirmation letter issued by the lender for renewal of the Facility Agreement which will expire until 30 June 2020. The term loan facility shall be repayable in full in 13 months from the date of drawdown. As at 31 December 2019, such banking facilities have not been utilised.

Pursuant to the terms of the Facility Agreement, if the Chan's family including Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Ms. Au-Yeung Ying Ho ceased to be a majority ultimate beneficial shareholder of the Company, the Facility Agreement may be cancelled and repayment may be demanded by the Lender. As at the date of this 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 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 2019, 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 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 2019, the emission from our vehicles imposed immaterial impact on the overall air pollution in Hong Kong. We do not measure the emission generated by our vehicles.

During the year ended 31 December 2019, the greenhouse gas ("GHG") emission from the operation is set out below:

Scope of greenhouse gas emissions	Equivalent CO2 emission (kg)
Scope 1 — direct emissions	N/A
Scope 2 — indirect emissions (purchased electricity in the office)	10,143
Scope 3 — other indirect emissions (paper)	13,348
Total emissions	23,491
Density of total emissions per employee	405

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 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 Mainland China were strictly monitored.

Energy consumption in the office by the Group during the year ended 31 December 2019 is set out below:

Resource consumption/ discharge description	Unit	Total	Energy intensity — Unit per employee
Purchased electricity (in the office)	kWh	12,839	221

Since the vehicles were used for a short-distance during the year ended 31 December 2019, the emission from our vehicles imposed immaterial impact. There was no measurement disclosed for the usage on unleaded petrol from the vehicles.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 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 2019 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 Mainland China. 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 Mainland China. In the Mainland China, 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 Mainland China. 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 2019.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 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 2019, there was no case of work-related fatality and work-related injury, 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 2019, 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 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 Mainland China 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 Mainland China, 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 2019, 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Operating Practices (continued)

#### Product responsibility (continued)

During the year ended 31 December 2019, 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 2019.

### 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 2019, the Group made the donations to five scholarships to secondary 3 to 6 students nominated by school teachers and social workers, who demonstrate resilience and a positive attitude in the face of adversity. The donations made by the Group during the year ended 31 December 2019 amounted to approximately HK\$26,000.

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 team building lunch during the year ended 31 December 2019.

# INDEPENDENT AUDITOR'S REPORT



## Independent auditor's report to the members of Max Sight Group Holdings Limited

(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 (together the "**Group**") set out on pages 57 to 106, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2019 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**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

### Revenue recognition

Refer to accounting policy 2(o) and note 4 to the consolidated financial statements

#### The Key Audit Matter

The Group is an automatic identity documentation ("ID") photo booth operator and generates revenue from providing photography services through automatic ID photo booths at different locations in Hong Kong and Mainland China.

Revenue comprises a high volume of individually low value transactions. The transaction volume data are captured by the meter in each automatic ID photo booth. Revenue is recognised when photography services are provided to customers, which is the point of time when the photos are printed and collected by the customers.

We identified revenue recognition from provision of photography services as a key audit matter because revenue is one of the key performance indicators of the Group and, therefore, there is a potential risk that it is subject to manipulation to meet financial targets or expectations.

#### How the matter was addressed in our audit

Our audit procedures to assess revenue recognition included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over revenue process;
- conducting physical inspection, on a sample basis, of ID photo booths to observe the meter reading and compare it with the transaction volume data recorded by the Group;
- performing re-calculation of annual revenue of ID photo booths, on a sample basis, based on annual transaction volume data and comparing it with the revenue recorded by the Group; and
- comparing, on a sample basis, revenue transactions recorded during the year with the bank-in slips.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

### Assessing impairment of property, plant and equipment ("PPE") and right-of-use assets ("ROU assets") of the Group in Mainland China

Refer to accounting policies 2(e) and (f) and notes 10 and 11 to the consolidated financial statements

#### The Key Audit Matter

The Mainland China operations of the Group sustained a loss for the year ended 31 December 2019, which management considered to be an indicator of potential impairment that the carrying values of PPE and ROU assets attributable to the Mainland China operation may not be fully recovered. Consequently, the recoverable amounts of PPE and ROU assets located in the Mainland China of the Group are estimated by management and compared with their carrying amounts at 31 December 2019.

The recoverable amounts of PPE and ROU assets were assessed by management based on the value in use model (i.e. discounted future cash flows). The assessment of the recoverable amounts is inherently subjective as it involves the exercise of significant management judgement and estimation, particularly in determining future revenue growth rate, future operating expenses and the discount rate applied.

The Group recognised full impairment loss on PPE and ROU assets in Mainland China amounting to HK\$11.7 million during the year ended 31 December 2019.

We identified assessing impairment of the carrying values of the PPE and ROU assets in the Mainland China as a key audit matter because management's assessment of the recoverable amounts involved significant judgement and estimation which could be subject to management bias.

#### How the matter was addressed in our audit

Our audit procedures to assess the potential impairment of PPE and ROU assets in the Mainland China included the following:

- evaluating the methodology adopted by management in the discounted future cash flows, the identification of cash generating units and the allocation of assets to the relevant cash generating units with reference to the guidance in the prevailing accounting standards;
- evaluating the key estimates and assumptions adopted in the discounted future cash flows, including future revenue growth rate and future operating expenses applied, by comparing these against historical results, and our understanding of the Group's business and future business plans; and
- with the assistance of our internal valuation specialists, evaluating the discount rate adopted in the discounted future cash flows.

# INDEPENDENT AUDITOR'S REPORT

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



# INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism 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.
- 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 the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

# INDEPENDENT AUDITOR'S REPORT

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

From the matters communicated with the Audit Committee, 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 this independent auditor's report is Pang Chi Wai, Aaron.

### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
20 March 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 (Note) \$'000
<b>Revenue</b>	4	<b>59,313</b>	54,733
Cost of services		<b>(37,338)</b>	(31,499)
<b>Gross profit</b>		<b>21,975</b>	23,234
Other income	5(a)	<b>505</b>	981
Other net losses	5(b)	<b>(160)</b>	(144)
Administrative expenses		<b>(13,524)</b>	(12,996)
Listing expenses		<b>–</b>	(7,789)
Impairment of property, plant and equipment and right-of-use assets	10(b)	<b>(11,663)</b>	–
<b>(Loss)/profit from operations</b>		<b>(2,867)</b>	3,286
Finance costs	6(a)	<b>(553)</b>	(3)
<b>(Loss)/profit before taxation</b>	6	<b>(3,420)</b>	3,283
Income tax	8(a)	<b>(1,526)</b>	(1,503)
<b>(Loss)/profit for the year</b>		<b>(4,946)</b>	1,780
<b>Other comprehensive income for the year</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiary outside Hong Kong		<b>(114)</b>	(566)
<b>Total comprehensive income for the year attributable to equity shareholders of the Company</b>		<b>(5,060)</b>	1,214
<b>(Loss)/earnings per share (Hong Kong cent)</b>			
— Basic and diluted	9	<b>(0.62)</b>	0.23

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 61 to 106 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

(Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 (Note) \$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	843	11,172
Right-of-use assets	11	9,705	–
Deposits and prepayments	13	1,683	1,838
		<b>12,231</b>	13,010
<b>Current assets</b>			
Inventories		370	172
Trade receivables	13	1,186	1,140
Other receivables, deposits and prepayments	13	1,478	910
Tax recoverable	17(a)	922	1,128
Cash and bank balances	14	54,159	47,294
		<b>58,115</b>	50,644
<b>Current liabilities</b>			
Other payables and accrued charges	15	2,976	2,557
Lease liabilities	16	8,834	–
Tax payable	17(a)	2,098	672
		<b>13,908</b>	3,229
<b>Net current assets</b>			
		<b>44,207</b>	47,415
<b>Total assets less current liabilities</b>			
		<b>56,438</b>	60,425
<b>Non-current liabilities</b>			
Lease liabilities	16	5,157	–
Deferred tax liabilities	17(b)	40	124
		<b>5,197</b>	124
<b>NET ASSETS</b>			
		<b>51,241</b>	60,301
<b>CAPITAL AND RESERVES</b>			
Share capital	18	8,000	8,000
Reserves		43,241	52,301
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>			
		<b>51,241</b>	60,301

Approved and authorised for issue by the board of directors on 20 March 2020.

**Chan Wing Choi, Jamson**  
Director

**Chan Tien Kay, Timmy**  
Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 61 to 106 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company					Total
		Share capital	Share premium	Translation reserve	Other reserve	(Accumulated losses)/ retained profits (Note)	
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>At 1 January 2018</b>	10	14,163	162	(5,664)	(494)	8,177
	<b>Changes in equity for 2018:</b>						
	Profit for the year	-	-	-	-	1,780	1,780
	Other comprehensive income	-	-	(566)	-	-	(566)
	Total comprehensive income	-	-	(566)	-	1,780	1,214
	Issuance of new shares	18(a)	2,000	60,000	-	-	62,000
	Capitalisation issue	18(a)	5,990	(5,990)	-	-	-
	Transaction costs attributable to issuance of new shares	18(a)	-	(11,090)	-	-	(11,090)
	<b>At 31 December 2018 and 1 January 2019</b>	8,000	57,083	(404)	(5,664)	1,286	60,301
	Loss for the year	-	-	-	-	(4,946)	(4,946)
	Other comprehensive income	-	-	(114)	-	-	(114)
	Total comprehensive income	-	-	(114)	-	(4,946)	(5,060)
	Dividend approved in respect of the current year	18(b)	-	-	-	(4,000)	(4,000)
	<b>At 31 December 2019</b>	8,000	57,083	(518)	(5,664)	(7,660)	51,241

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 61 to 106 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 (Note) \$'000
<b>Operating activities</b>			
(Loss)/profit before taxation		(3,420)	3,283
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	2,567	1,473
Depreciation of right-of-use assets	6(c)	10,199	71
Impairment of property, plant and equipment and right-of-use assets	10(b)	11,663	–
Finance costs	6(a)	553	3
Interest income	5(a)	(419)	(320)
Waiver of other payables	5(a)	–	(536)
Foreign exchange loss		41	–
<b>Operating cash flows before changes in working capital</b>		<b>21,184</b>	<b>3,974</b>
Increase in trade receivables		(46)	(438)
(Increase)/decrease in other receivables, deposits and prepayments		(403)	3,370
(Increase)/decrease in inventories		(198)	108
Increase/(decrease) in other payables and accrued charges		419	(2,379)
<b>Cash generated from operations</b>		<b>20,956</b>	<b>4,635</b>
Hong Kong income tax refunded/(paid)		22	(2,710)
<b>Net cash generated from operating activities</b>		<b>20,978</b>	<b>1,925</b>
<b>Investing activities</b>			
Payment for the purchases of property, plant and equipment		(121)	(7,534)
Interest received		509	320
<b>Net cash generated from/(used in) investing activities</b>		<b>388</b>	<b>(7,214)</b>
<b>Financing activities</b>			
Capital element of lease rentals paid		(9,943)	(183)
Interest element of lease rentals paid		(553)	(3)
Dividend paid		(4,000)	(10,800)
Proceeds from issue of new shares		–	62,000
Transaction costs attributable to issuance of new shares		–	(11,090)
<b>Net cash (used in)/generated from financing activities</b>		<b>(14,496)</b>	<b>39,924</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,870</b>	<b>34,635</b>
Cash and cash equivalents at 1 January		47,294	12,746
Effect of foreign exchange rate changes		(5)	(87)
<b>Cash and cash equivalents at 31 December</b>		<b>54,159</b>	<b>47,294</b>
<b>Analysis of balances of cash and cash equivalents at 31 December</b>			
Cash and bank balances		54,159	47,294

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 61 to 106 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 GENERAL

Max Sight Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 February 2018. Its ultimate and immediate holding company is Causeway Treasure Holding Limited (“**Causeway Treasure**”), an entity incorporated in the British Virgin Islands (the “**BVI**”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in Hong Kong is 14th Floor, McDonald’s Building, 48 Yee Wo Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the “**Group**”) are principally engaged in the provision of photography services through automatic identity documentation (“**ID**”) photo booths at different locations in Hong Kong and Guangdong Province, Mainland China.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Basis of preparation (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

### (c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

#### (i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Changes in accounting policies (continued)

#### HKFRS 16, Leases (continued)

##### (i) New definition of a lease (continued)

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

##### (ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property. For an explanation of how the Group applies lessee accounting, see note 2(f).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.95%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (1) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (2) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Changes in accounting policies (continued)

#### HKFRS 16, Leases (continued)

#### (ii) Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 20(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 \$'000
Operating lease commitments at 31 December 2018	10,833
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases	(65)
Less: commitments relating to leases not yet commence at 1 January 2019	(222)
	10,546
Less: total future interest expenses	(434)
Total lease liabilities recognised at 1 January 2019 and present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	10,112

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 \$'000	Capitalisation of operating lease contracts \$'000	Carrying amount at 1 January 2019 \$'000
<b>Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:</b>			
Right-of-use assets	–	10,112	10,112
<b>Total non-current assets</b>	<b>13,010</b>	<b>10,112</b>	<b>23,122</b>
Lease liabilities (current)	–	5,369	5,369
<b>Current liabilities</b>	<b>3,229</b>	<b>5,369</b>	<b>8,598</b>
<b>Net current assets</b>	<b>47,415</b>	<b>(5,369)</b>	<b>42,046</b>
<b>Total assets less current liabilities</b>	<b>60,425</b>	<b>4,743</b>	<b>65,168</b>
Lease liabilities (non-current)	–	4,743	4,743
<b>Total non-current liabilities</b>	<b>124</b>	<b>4,743</b>	<b>4,867</b>
<b>Net assets</b>	<b>60,301</b>	–	<b>60,301</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Changes in accounting policies (continued)

#### (iii) Impact on the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the statement of cash flows.

### (d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives at the rates per annum as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### (f) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Leased assets (continued)

#### As a lessee

#### (A) Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Leased assets (continued)

#### As a lessee (continued)

##### (B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Impairment losses were accounted for in accordance with the accounting policy as set out in note 2(g)(ii). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

### (g) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including trade receivables, other receivables and cash and bank balances).

##### **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for fixed-rate financial assets and trade and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Credit losses and impairment of assets (continued)

#### (i) Credit losses from financial instruments (continued)

##### **Measurement of ECLs (continued)**

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

##### **Significant increases in credit risk**

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 20 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Credit losses and impairment of assets (continued)

#### (i) Credit losses from financial instruments (continued)

##### **Significant increases in credit risk (continued)**

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

##### **Basis of calculation of interest income**

Interest income recognised in accordance with note 2(o)(ii) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Credit losses and impairment of assets (continued)

#### (i) Credit losses from financial instruments (continued)

##### **Basis of calculation of interest income (continued)**

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

##### **Write-off policy**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets; and
- investments in subsidiaries in the Company's statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Credit losses and impairment of assets (continued)

#### (ii) Impairment of other non-current assets (continued)

If any such indication exists, the asset's recoverable amount is estimated.

#### — Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### — Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

#### — Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Inventories

Inventories are assets which are in the form of materials or supplies to be consumed in the rendering of services.

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method and comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are consumed, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(g)(i)).

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

### (k) Other payables

Other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

Contributions to retirement plans (defined contribution retirement plans) managed by respective local governments of the municipalities in which the Group operates in the Mainland China are charged to profit or loss as and when incurred.

### (m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

### (n) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (o) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Revenue and other income (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

#### (i) Photography service income

Revenue from provision of photography services is recognised when photography services are provided to customers, which is the point of time when the photos are printed and collected by the customers.

#### (ii) Interest income

Interest income is recognised as it accrues under the effective interest method.

### (p) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (q) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) is a member of the key management personnel of the Group or the Group's parent.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Related parties (continued)

- (ii) An entity is related to the Group if any of the following conditions applies:
- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (3) Both entities are joint ventures of the same third party.
  - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (6) The entity is controlled or jointly controlled by a person identified in (i).
  - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (r) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's executive directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies (which are described in note 2), management has made the following judgements that have significant effect on the amounts recognised in the financial statements.

### (a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for the future periods is adjusted if there are significant changes from previous estimates.

### (b) Impairment of property, plant and equipment and right-of-use assets

The Group reviews the carrying amounts of property, plant and equipment and right-of-use assets at the end of each reporting period to determine whether there is an objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flows to assess the differences between the carrying amount and their value in use and provided for impairment loss. Any change in the assumptions adopted in the discounted future cash flows would increase or decrease in the impairment loss and affect the Group's net asset value and profit or loss.

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activities of the Group are provision of photography services through automatic ID photo booths at different locations in Hong Kong and Guangdong Province, Mainland China. Revenue represents the fair value of amounts received and receivable from provision of photography services by the Group to external customers, net of sales returns.

### (b) Segment reporting

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

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

Revenue comprises solely photography service income.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

For the purposes of assessing segment performance and allocating resources between segments, the Group's executive directors monitor the results and assets attributable to each reportable segment on the following bases:

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

Segment assets include all current and non-current assets with the exception of cash and bank balances, deferred tax assets (if any) and other corporate assets.

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

### Segment results

	2019			2018 (Note)		
	Hong Kong \$'000	Mainland China \$'000	Consolidated \$'000	Hong Kong \$'000	Mainland China \$'000	Consolidated \$'000
Revenue	55,804	3,509	59,313	49,868	4,865	54,733
Reportable segment profit/(loss)	21,904	(13,244)	8,660	21,151	751	21,902
Head office and corporate expenses			(12,080)			(18,619)
(Loss)/profit before tax			(3,420)			3,283
Interest income			419			320
Finance costs	(410)	(143)	(553)	(3)	–	(3)
Depreciation	(9,099)	(3,667)	(12,766)	(457)	(1,087)	(1,544)
Impairment of property, plant and equipment and right-of-use assets	–	(11,663)	(11,663)	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

#### Segment assets

	2019			2018 (Note)		
	Hong Kong	Mainland China	Consolidated	Hong Kong	Mainland China	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	14,207	601	14,808	4,340	10,423	14,763
Cash and bank balances			54,159			47,294
Head office and corporate assets			1,379			1,597
Consolidated total assets			70,346			63,654

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

#### Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments and deferred tax assets (if any). The geographical location of customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2019	2018	2019	2018 (Note)
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	55,804	49,868	10,648	1,202
Mainland China	3,509	4,865	–	9,970
	59,313	54,733	10,648	11,172

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

For the years ended 31 December 2019 and 2018, no single customer accounted for 10% or more of the Group's total revenue.

For the year ended 31 December 2019, the Group's two (2018: three) 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 93.2% (2018: 92.0%) of the Group's total purchases. Photo-Me International Plc. is also one of the substantial shareholders of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 5 OTHER INCOME AND OTHER NET LOSSES

### (a) Other income

	2019 \$'000	2018 \$'000
Interest income	419	320
Sales of photo strips	86	125
Waiver of other payables (Note)	–	536
	<b>505</b>	981

Note: During the year ended 31 December 2018, the Group entered into a supplementary agreement with a supplier. Pursuant to which, the supplier waived payable of \$536,000 in connection with machinery rental in prior years.

### (b) Other net losses

	2019 \$'000	2018 \$'000
Net exchange losses	160	144

## 6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

### (a) Finance costs

	2019 \$'000	2018 (Note) \$'000
Interest on lease liabilities (note 14(b))	553	3

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

### (b) Staff costs (including directors' remuneration)#

	2019 \$'000	2018 \$'000
Salaries, wages and other benefits#	10,509	10,000
Contributions to defined contribution retirement plan	503	401
	<b>11,012</b>	10,401

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 (LOSS)/PROFIT BEFORE TAXATION (continued)

### (c) Other items

	2019 \$'000	2018 \$'000
Auditors' remuneration	1,310	1,050
Depreciation	12,766	1,544
— property, plant and equipment**	2,567	1,473
— right-of-use assets**	10,199	71
Total minimum lease payments for leases previously classified as operating leases under HKAS 17**	–	10,312
Lease payments for short-term leases not included in the measurement of lease liabilities#	358	–
Variable lease payments not included in the measurement of lease liabilities/contingent rent#	20,230	16,247
Cost of inventories	1,286	1,134

\* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

# Cost of services includes \$35,689,000 (2018: \$30,088,000) relating to staff costs, depreciation expenses and lease expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 7 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383(1) to the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	2019 Total
	\$'000	\$'000	\$'000	\$'000
<b>Executive directors</b>				
Mr. Chan Tien Kay, Timmy (ii)	1,000	317	18	1,335
Mr. Chan Wing Chai, Jamson (ii)	200	1,122	29	1,351
Mr. Wu Siu Tong (ii & v)	148	–	3	151
<b>Non-executive directors</b>				
Mr. Cheung Kam Ting	20	–	–	20
Mr. Riccardo Costi	20	–	–	20
<b>Independent non-executive directors</b>				
Mr. Ngai James	180	–	–	180
Mr. Hui Chi Kwan	120	–	–	120
Mr. Kwok Tsun Wa	120	–	–	120
	<b>1,808</b>	<b>1,439</b>	<b>50</b>	<b>3,297</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 7 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (continued)

### (a) Directors' emoluments (continued)

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	2018 Total
	\$'000	\$'000	\$'000	\$'000
<b>Executive directors</b>				
Mr. Chan Tien Kay, Timmy (ii)	1,000	229	39	1,268
Mr. Chan Wing Chai, Jamson (ii)	200	985	119	1,304
Mr. Wu Siu Tong (ii)	200	–	10	210
<b>Non-executive directors</b>				
Mr. Cheung Kam Ting	17	–	–	17
Mr. Riccardo Costi	17	–	–	17
<b>Independent non-executive directors</b>				
Mr. Ngai James (iii)	151	–	–	151
Mr. Hui Chi Kwan (iii)	101	–	–	101
Mr. Kwok Tsun Wa (iii)	101	–	–	101
	1,787	1,214	168	3,169

Notes:

- (i) There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the directors of the Company in respect of the years ended 31 December 2019 and 2018. No director waived or agreed to waive any emoluments during both years.
- (ii) The emoluments of executive directors were in respect of their services in connection with management of the affairs of the Company and the Group.
- (iii) The independent non-executive directors, Mr. Ngai James, Mr. Hui Chi Kwan and Mr. Kwok Tsun Wa, were appointed as the directors of the Company on 8 February 2018.
- (iv) The Company has adopted a share option scheme on 8 February 2018. There were no share option granted during the years ended 31 December 2019 and 2018.
- (v) The executive director, Mr. Wu Siu Tong, was resigned as the director of the Company on 20 March 2020.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 7 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (continued)

### (b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2018: two) are directors whose emoluments are disclosed in note 7(a). The aggregate of the emoluments in respect of the remaining three (2018: three) individuals are as follows:

	2019 \$'000	2018 \$'000
Salaries and other emoluments	1,475	1,347
Discretionary bonuses	129	116
Retirement scheme contributions	54	80
	<b>1,658</b>	<b>1,543</b>

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
Nil — \$1,000,000	3	3

### (c) Emoluments of senior management

Other than the emoluments of the directors and five highest paid individuals disclosed in notes 7(a) and 7(b), the emoluments of the remaining senior management fell within the following band:

	2019 Number of individuals	2018 Number of individuals
Nil — \$1,000,000	1	1

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 8 INCOME TAX

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

	2019 \$'000	2018 \$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	1,649	1,653
Over-provision in respect of prior years	(39)	(7)
	<b>1,610</b>	1,646
<b>Current tax — Mainland China</b>		
Provision for the year	–	–
Over-provision in respect of prior years	–	(137)
	–	(137)
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 17(b))	(84)	(6)
	<b>1,526</b>	1,503

The provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

The provision for Hong Kong Profits Tax for 2019 is taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of \$20,000 for each business (2018: a maximum reduction of \$30,000 was granted for the year of assessment 2017-18 and was taken into account in calculating the provision for 2018).

Under the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiary is 25% for both years.

Mainland China tax law also imposed a withholding tax at 5%, unless reduced by a treaty or agreement, for dividend distributed by a PRC-president enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008.

Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. Provision for withholding tax is recognised for the dividends that have been declared and deferred tax liability is recognised for those to be declared in the foreseeable future. The Group did not recognise any withholding tax for the years of 2019 and 2018.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 8 INCOME TAX (continued)

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

	2019 \$'000	2018 \$'000
(Loss)/profit before taxation	(3,420)	3,283
Notional tax on (loss)/profit before taxation calculated at applicable tax rates	(1,918)	450
Tax effect of non-deductible expenses	107	1,109
Tax effect of non-taxable income	(69)	(186)
Over-provision in respect of prior years	(39)	(144)
Tax effect of tax losses not recognised	563	272
Tax effect of temporary differences not recognised	2,916	–
Statutory tax concession	(40)	–
Others	6	2
Actual tax expense	1,526	1,503

## 9 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company of \$4,946,000 (2018: \$1,780,000) and the weighted average number of ordinary shares in issue during the year of 800,000,000 (2018: 768,219,000).

### (b) Diluted (loss)/earnings per share

There were no diluted potential shares in existence during the years ended 31 December 2019 and 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 10 PROPERTY, PLANT AND EQUIPMENT

(a)	Computer software	Computer equipment	Office equipment	Furniture and fixtures	Plant and machinery	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>							
At 1 January 2018	950	182	163	747	9,024	1,411	12,477
Exchange adjustments	(11)	-	(1)	-	(547)	-	(559)
Additions	283	-	-	-	10,312	-	10,595
Disposal	-	-	-	-	(194)	-	(194)
At 31 December 2018	1,222	182	162	747	18,595	1,411	22,319
At 1 January 2019	1,222	182	162	747	18,595	1,411	22,319
Exchange adjustments	(5)	-	-	-	(226)	-	(231)
Additions	-	-	21	-	-	-	21
At 31 December 2019	1,217	182	183	747	18,369	1,411	22,109
<b>Accumulated depreciation</b>							
At 1 January 2018	948	175	151	684	6,623	1,340	9,921
Exchange adjustments	(2)	-	(1)	-	(121)	-	(124)
Charge for the year	48	2	4	5	1,414	71	1,544
Written back on disposal	-	-	-	-	(194)	-	(194)
At 31 December 2018	994	177	154	689	7,722	1,411	11,147
At 1 January 2019	994	177	154	689	7,722	1,411	11,147
Exchange adjustments	(2)	-	-	-	(77)	-	(79)
Charge for the year	68	2	8	29	2,460	-	2,567
Impairment loss (note 10(b))	156	-	4	-	7,471	-	7,631
At 31 December 2019	1,216	179	166	718	17,576	1,411	21,266
<b>Net book value</b>							
At 31 December 2019	1	3	17	29	793	-	843
At 31 December 2018	228	5	8	58	10,873	-	11,172

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 10 PROPERTY, PLANT AND EQUIPMENT (continued)

### (b) Impairment loss

The photography services in Mainland China segment is considered to be a separate cash generating unit of the Group.

During the year ended 31 December 2019, in view of the loss sustained by the photography services in Mainland China segment, management considered indicators of impairment of property, plant and equipment and right-of-use assets associated with this segment existed at 31 December 2019 and performed an impairment assessment thereon. Based on the impairment assessment conducted by management, impairment losses of \$7,631,000 and \$4,032,000 (see note 11) were recognised on property, plant and equipment and right-of-use assets respectively in profit or loss during the year ended 31 December 2019 in order to write down the carrying amount of the property, plant and equipment and right-of-use assets of this segment to their recoverable amounts of \$Nil and \$Nil respectively.

The recoverable amount is determined based on the higher of value-in-use and the fair value less costs of disposal. The estimate of recoverable amount was based on a value-in-use calculation which adopted a discounted rate of 12.6% for this segment.

## 11 RIGHT-OF-USE ASSETS

	Properties leased for own use
<b>Cost</b>	\$'000
At 31 December 2018	–
Impact on initial application of HKFRS16 (Note)	10,112
At 1 January 2019	10,112
Exchange adjustments	(75)
Additions	13,899
Disposal	(1,932)
At 31 December 2019	22,004
<b>Accumulated depreciation</b>	
At 1 January 2019	–
Charge for the year	10,199
Written back on disposal	(1,932)
Impairment loss	4,032
At 31 December 2019	12,299
<b>Net book value</b>	
At 31 December 2019	9,705
At 1 January 2019	10,112

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 11 RIGHT-OF-USE ASSETS (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019	2018
	\$'000	(Note) \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	10,199	–
Motor vehicles	–	71
Interest on lease liabilities (note 6(a))	553	3
Expense relating to short-term leases	358	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	–	10,312
Variable lease payments not included in the measurement of lease liabilities	20,230	16,247

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

During the year ended 31 December 2019, additions to right-of-use assets were \$13,899,000. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 14(c) and 16, respectively.

### Properties leased for own use

The Group has obtained the right to use properties as its offices and sites to install automatic ID photo booths through tenancy agreements. The leases typically run for an initial period of 1 to 5 years. Lease payments are usually increased every 1 to 2 years to reflect market rentals.

None of the leases include an option to renew the lease for an additional period after the end of the contract term.

During the year ended 31 December 2019, the Group leased a number of sites to install automatic ID photo booths which contain variable lease payment terms that are based solely on revenue generated from the automatic ID photo booths or on the higher of a fixed rental and variable rent based on the revenue of these automated ID photo booths. The amount of fixed and variable lease payments recognised in profit or loss for the year is summarised below:

	Fixed payments	Variable payments	Total payments
	\$'000	\$'000	\$'000
Sites to install automatic ID photo booths	10,496	20,230	30,726

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital / establishment	Proportion of ownership interest		Principal activity
			Held by the company	Held by a subsidiary	
Max Sight (BVI) Limited	BVI	\$1	100%	–	Investment holding
Treasure Star (China) Holding Limited	BVI	\$1	100%	–	Investment holding
Max Sight Limited	Hong Kong	\$4,000,000	–	100%	Provision of photography services through automatic ID photo booths
MV Asset Management Limited	Hong Kong	\$2	–	100%	Holding of licencing agreements
Treasure Star (China) Limited	Hong Kong	\$10,000	–	100%	Provision of photography services through automatic photo booths
Max Sight International Limited	Hong Kong	\$10,000	–	100%	Holding of licencing agreements
廣州富美快相有限公司 (Guangzhou Max Sight Photo Company Limited) (formerly known as Guangzhou Max Sight Photo-Me Co., Ltd.) (Remark 2)	Mainland China	Renminbi ("RMB") 5,000,000 (Remark 1)	–	100%	Provision of photography services through automatic ID photo booths
Fullwise International Limited	Hong Kong	\$1,000,000	–	100%	Holding of licencing agreements

Remarks:

- 1) The amount represented the registered paid up capital.
- 2) Wholly foreign owned enterprises established in Mainland China.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 \$'000	2018 \$'000
Trade receivables	1,186	1,140
<i>Other receivables, deposits and prepayments</i>		
Rental and utilities deposits	2,496	2,275
Prepayments	600	272
Other receivables	65	201
	<b>3,161</b>	2,748
Representing:		
Non-current assets	1,683	1,838
Current assets	1,478	910

The Group grants credit terms of 0-20 days to its lessor of the sites to install automatic ID photo booths which holds money from customer on behalf of the Group. An ageing analysis of the trade receivables presented based on the monthly statement issued to the lessor at the end of the reporting period.

	2019 \$'000	2018 \$'000
0-20 days	1,186	1,140

As at 31 December 2019 and 2018, the Group measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The Group only has one debtor. Due to the financial strength of this debtor and the short duration of the trade receivable, the allowance for expected credit losses is considered insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 CASH AND BANK BALANCES

### (a) Cash and bank balances comprise:

	2019 \$'000	2018 \$'000
Deposits with banks with an original maturity less than three months	20,696	28,000
Cash at bank and on hand	33,463	19,294
Cash and cash equivalents in the consolidated statement of cash flows	54,159	47,294

### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities (Note 16) \$'000
<b>At 31 December 2018</b>	–
Impact on initial application of HKFRS 16 (Note)	10,112
<b>At 1 January 2019</b>	10,112
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	(9,943)
Interest element of lease rentals paid	(553)
Total changes from financing cash flows	(10,496)
<b>Other changes:</b>	
Increase in lease liabilities from entering into new leases during the year	13,899
Interest expenses (note 6(a))	553
Exchange adjustments	(77)
Total other changes	14,375
<b>At 31 December 2019</b>	13,991

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 2(c).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 CASH AND BANK BALANCES (continued)

	Lease liabilities (Note 16)
	\$'000
<b>At 31 December 2017 and 1 January 2018</b>	183
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	(183)
Interest element of lease rentals paid	(3)
Total changes from financing cash flows	(186)
<b>Other changes:</b>	
Interest expenses (note 6(a))	3
Total other changes	3
<b>At 31 December 2018</b>	–

### (c) Total cash outflow for leases

Amounts included in the statement of cash flows for leases comprise the following:

	2019 \$'000	2018 (Note) \$'000
Within operating cash flows	20,588	26,559
Within financing cash flows	10,496	186
	<b>31,084</b>	26,745

Note: As explained in the note 2(c), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 \$'000	2018 \$'000
Lease rental paid	31,084	26,559
Purchase of motor vehicles	–	186
	<b>31,084</b>	26,745

### (d) Major non-cash transaction

During the year ended 31 December 2018, the Group entered into a supplementary agreement with a supplier. Pursuant to which, the supplier waived payable of \$536,000 in connection with machinery rental in prior years.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 OTHER PAYABLES AND ACCRUED CHARGES

	2019 \$'000	2018 \$'000
Accrued expenses	1,333	551
Salaries payables and provision for bonus	962	958
Other lease and licence fee payables	592	928
Other payables	67	89
Other tax payables	22	31
	<b>2,976</b>	2,557

## 16 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 (Note)		31 December 2018 (Note)	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	8,834	9,182	5,369	5,629	–	–
After 1 year but within 2 years	3,448	3,567	2,841	2,964	–	–
After 2 years but within 5 years	1,709	1,783	1,902	1,953	–	–
	<b>5,157</b>	<b>5,350</b>	4,743	4,917	–	–
	<b>13,991</b>	<b>14,532</b>	10,112	10,546	–	–
Less: total future interest expenses		(541)		(434)		–
Present value of lease liabilities		<b>13,991</b>		10,112		–

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

In addition, the Group was committed as at 31 December 2019 to enter into a lease of 2 years in respect of a property that is not yet commenced, the lease payments under which amounted to \$941,000 per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Current taxation in the consolidated statement of financial position represents:

	2019 \$'000	2018 \$'000
Provision for Hong Kong Profits Tax for the year	1,649	1,653
Provisional Profits Tax paid	–	(2,106)
	<b>1,649</b>	(453)
Balance of Profits Tax provision relating to prior years	<b>(473)</b>	(3)
	<b>1,176</b>	(456)
<b>Representing:</b>		
Tax recoverable	<b>(922)</b>	(1,128)
Tax payable	<b>2,098</b>	672
	<b>1,176</b>	(456)

### (b) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation \$'000	Depreciation charge of right-of-use assets \$'000	Total \$'000
At 1 January 2018	130	–	130
Credited to profit or loss	(6)	–	(6)
At 31 December 2018 and 1 January 2019	124	–	124
Credited to profit or loss	(60)	(24)	(84)
At 31 December 2019	64	(24)	40

### (c) Deferred tax assets not recognised

As the probability of generating future taxable profits in order to utilise the tax losses and temporary differences is uncertain at this point of time, the Group has not recognised deferred tax assets in respect of cumulative tax losses of \$3,338,000 (2018: \$1,087,000) and temporary difference of \$11,663,000 (2018: \$Nil) respectively. The tax losses arising from the operations in Mainland China can be carried forward to offset against taxable profits of subsequent years up to five years from the year in which they arose.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 18 CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

#### Company

	Note	Share capital \$'000	Share premium \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2018		10	14,163	(11,268)	2,905
Issuance of new shares upon listing	(i)	2,000	60,000	–	62,000
Capitalisation issue	(ii)	5,990	(5,990)	–	–
Transaction costs attributable to issuance of new shares	(i)	–	(11,090)	–	(11,090)
Loss for the year		–	–	(8,252)	(8,252)
At 31 December 2018		8,000	57,083	(19,520)	45,563
At 1 January 2019		8,000	57,083	(19,520)	45,563
Dividend approved in respect of the current year	18(b)	–	–	(4,000)	(4,000)
Loss for the year		–	–	(13,520)	(13,520)
At 31 December 2019		8,000	57,083	(37,040)	28,043

Note:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 18 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Dividends

Dividend payable to equity shareholders of the Company attributable for the year:

	2019 \$'000	2018 \$'000
Interim dividend declared and paid of 0.5 Hong Kong cent per ordinary share (2018: Nil)	4,000	–
No dividend proposed after the end of the reporting period (2018: Nil)	–	–
	<b>4,000</b>	–

### (c) Share capital

	2019		2018	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
<b>Authorised — ordinary share of \$0.01 each:</b>				
At 1 January	5,000,000,000	50,000	38,000,000	380
Increase in authorised share capital (note(i))	–	–	4,962,000,000	49,620
At 31 December	<b>5,000,000,000</b>	<b>50,000</b>	5,000,000,000	50,000

	2019		2018	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	800,000,000	8,000	1,000,000	10
Capitalisation issue (Note 18(a)(ii))	–	–	599,000,000	5,990
Issue of new shares upon listing (Note 18(a)(i))	–	–	200,000,000	2,000
At 31 December	<b>800,000,000</b>	<b>8,000</b>	800,000,000	8,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 18 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (c) Share capital (continued)

Note:

- (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 \$380,000 divided into 38,000,000 shares of a par value of \$0.01 each to \$50,000,000 divided into 5,000,000,000 shares of a par value of \$0.01 each by the creation of an additional 4,962,000,000 shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

### (d) Nature and purpose of reserves

#### (i) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

#### (ii) Translation reserve

The translation reserve comprises exchange differences arising from the translation of the financial statements of the Group's operations in Mainland China.

#### (iii) Other reserve

The other reserve was created as a result of the reorganisation to rationalise the Group structure in preparation for the listing of the Company's shares on the Stock Exchange.

### (e) Distributability of reserves

At 31 December 2019, the aggregate amount of the Company's reserves available for distribution to the equity shareholders of the Company, as calculated in accordance with the Companies Law of the Cayman Islands and the Company's memorandum and articles of association, was \$20,043,000 (2018: \$37,563,000). The directors did not propose any final dividend after the end of the reporting period (2018: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Hong Kong dollars unless otherwise indicated)

## 18 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which include lease liabilities as disclosed in note 16, and equity of the Group, comprising share capital, share premium, other reserve and accumulated losses.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

## 19 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and bank balances. The Group's exposure to these credit risks are closely monitored on an ongoing basis by established credit policies. The Group maintains cash and bank balances with authorised financial institutions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (b) Liquidity risk

The treasury function of the Group is centralised. The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group is required to pay.

	2019				Carrying amount at 31 December \$'000
	Contractual undiscounted cash outflow				
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	Total \$'000	
Other payables and accrued charges	2,976	-	-	2,976	2,976
Lease liabilities (Note)	9,182	3,567	1,783	14,532	13,991
	12,158	3,567	1,783	17,508	16,967

  

	2018				Carrying amount at 31 December \$'000
	Contractual undiscounted cash outflow				
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	Total \$'000	
Other payables and accrued charges	2,557	-	-	2,557	2,557

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 2(c).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from deposits with banks and lease liabilities. The Group has not used financial derivatives to hedge against the interest rate risk. The following table details the interest rate profile at the end of the reporting period.

	2019		2018	
	Effective interest rate		Effective interest rate	
	\$'000		\$'000	
<b>Fixed rate borrowings:</b>				
Lease liabilities (Note)	3.95%	13,991	–	–
<b>Fixed rate financial assets:</b>				
Deposits with banks	2.16%	(20,696)	1.70%–2.10%	(28,000)
Net exposure		(6,705)		(28,000)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 2(c).

### (d) Currency risk

The Group owns assets and conducts its business primarily in Hong Kong and the Mainland China with its cash flows substantially denominated in Hong Kong dollars ("HK\$") and RMB respectively.

The Group is exposed to currency risk primarily through cash and bank balances that are denominated in United States dollars ("USD") and RMB held by Hong Kong's entities. Apart from the cash and bank balances, the Group did not hold material foreign currency assets and liabilities in a currency other than the functional currency of the Group's entities to which they related.

As the HK\$ is pegged to the USD, the Group considers the risk of movements in exchange rates between the HK\$ and USD to be insignificant. In respect of balance denominated in RMB, management considers the amount is insignificant to the Group as a whole but still manages and monitors this risk to ensure that its exposure is kept to an acceptable low level.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (d) Currency risk (continued)

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Group's entities to which they related. For presentation purpose, the amounts of the exposure are shown in HK\$, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in HK\$)			
	2019		2018	
	RMB \$000	USD \$000	RMB \$000	USD \$000
Cash and bank balances	246	31,351	251	2

### (e) Fair values measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 31 December 2019 and 2018.

## 20 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2019 not provided for in the consolidated financial statement were as follows:

	2019 \$'000	2018 \$'000
Contracted for	603	–

- (b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties \$'000
Within 1 year	5,776
After 1 year but within 5 years	5,057
	10,833

The operating lease rentals of certain sites to install ID photo booths are based solely on the revenue of those ID photo booths or on the higher of a fixed rental and variable rent based on the revenue of those ID photo booths. In the opinion of the directors of the Company, as the future revenue of those ID photo booths could not be accurately estimated, only the minimum fixed rental commitments have been included above.

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2(f), and the details regarding the Group's future lease payments are disclosed in note 16.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 21 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7(a) and certain of the highest paid employees as disclosed in note 7(b), is as follows:

	2019 \$'000	2018 \$'000
Short-term employee benefits	4,419	4,188
Post-employment benefits	100	234
	<b>4,519</b>	<b>4,422</b>

### (b) Transactions with related parties

The Group had the following transactions with the related parties during the year which the directors consider to be material:

	2019 \$'000	2018 \$'000
<b>(i) Various subsidiaries of Photo-Me International Plc.</b>		
Purchase of consumables (Note)	1,364	930
Purchase of machineries (Note)	–	3,272
Purchase of spare parts (Note)	47	54
<b>(ii) Lease payment 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</b>	<b>604</b>	<b>604</b>
<b>(iii) Salaries and other benefits paid to Ms. Au-Yeung Ying Ho</b>	<b>138</b>	<b>143</b>
<b>(iv) A company which a family member of Mr. Riccardo Costi has less than 5% interest</b>		
Purchase of consumables	–	11
Purchase of machineries	–	120

Note: These related party transactions constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules. The disclosure required by Chapter 20 of the GEM Listing Rules are set out in "Continuing Connected Transactions" of the report of the directors on pages 26 to 28.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 22 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Investment in subsidiaries		–	14,173
<b>Current assets</b>			
Amounts due from subsidiaries		29,145	32,070
Prepayments		247	258
Cash and bank balances		615	526
		<b>30,007</b>	32,854
<b>Current liabilities</b>			
Amounts due to subsidiaries		1,964	1,464
<b>Net current assets</b>		<b>28,043</b>	31,390
<b>NET ASSETS</b>		<b>28,043</b>	45,563
<b>CAPITAL AND RESERVES</b>			
Share capital	18	8,000	8,000
Reserves	18(c)	20,043	37,563
<b>TOTAL EQUITY</b>		<b>28,043</b>	45,563

## 23 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

Certain comparative figures have been reclassified to conform to current year's presentation.

## 24 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2019, the directors consider the immediate and ultimate controlling party of the Group to be Causeway Treasure, which is incorporated in BVI. This entity does not produce financial statements available for public use.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 25 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# FINANCIAL SUMMARY

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

## RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	59,313	54,733	46,491	47,453	49,753
(Loss)/profit before taxation	(3,420)	3,283	243	11,076	11,658
Income tax expense	(1,526)	(1,503)	(2,076)	(2,076)	(2,020)
(Loss)/profit for the year	(4,946)	1,780	(1,833)	9,000	9,638

## ASSETS AND LIABILITIES

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	70,346	63,654	25,525	32,458	27,235
Total liabilities	(19,105)	(3,353)	(17,348)	(5,018)	(4,659)
	51,241	60,301	8,177	27,440	22,576