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Max Sight Photo
名仕快相

Max Sight Group Holdings Limited

名仕快相集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8483)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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

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ANNUAL RESULTS HIGHLIGHTS

- The Group's revenue increased by approximately HK\$974,000, from approximately HK\$19,979,000 for the year ended 31 December 2020 to approximately HK\$20,953,000 for the year ended 31 December 2021. For the year ended 31 December 2021, revenue in photography services amounted to approximately HK\$20,311,000 (2020: HK\$19,979,000), which represent a slight increase of approximately 1.7%. For the year ended 31 December 2021, revenue in medical services business amounted to approximately HK\$642,000 (2020: nil), the Group commenced medical services business by operating medical centres in Hong Kong starting from October 2021.
- The Group's gross profit amounted to approximately HK\$5,184,000 and HK\$1,757,000 for the years ended 31 December 2021 and 2020 respectively, representing gross profit margin of approximately 24.74% and 8.79% respectively.
- The loss attributable to owners of the Company increased by approximately HK\$2,930,000, from approximately HK\$4,478,000 for the year ended 31 December 2020 to approximately HK\$7,408,000 for the year ended 31 December 2021. The loss attributable to equity shareholders of the Company increased mainly due to (i) the decrease in other income due to the decrease in the COVID-19 pandemic related rental concession received; (ii) the increase in administrative expenses due to increase in staff cost and decrease in funding support received from the Employment Support Scheme under the Anti-epidemic Fund, which is partially offset by the improvement on gross profit due to decrease in depreciation on right-of-use assets during the year ended 31 December 2021.
- The Directors do not recommend to declare a final dividend for the year ended 31 December 2021.

ANNUAL RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	2	20,953	19,979
Cost of services		(15,769)	(18,222)
Gross profit		5,184	1,757
Other income	3(a)	1,436	6,082
Other net gains/(losses)	3(b)	317	(15)
Administrative expenses		(14,043)	(11,813)
Loss from operations		(7,106)	(3,989)
Finance costs	4(a)	(423)	(444)
Loss before taxation	4	(7,529)	(4,433)
Income tax	5(a)	(126)	(45)
Loss for the year		(7,655)	(4,478)
Attributable to:			
Equity shareholders of the company		(7,408)	(4,478)
Non-controlling interest		(247)	–
Loss for the year		(7,655)	(4,478)
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiary outside Hong Kong		(207)	(364)
Total comprehensive income for the year		(7,862)	(4,842)
Attributable to:			
Equity shareholders of the company		(7,615)	(4,478)
Non-controlling interest		(247)	–
Total comprehensive income for the year		(7,862)	(4,478)
Loss per share (Hong Kong cents)			
— Basic and diluted	6	(0.93)	(0.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		2,891	1,234
Right-of-use assets		19,904	8,027
Deposits and prepayments	7	3,701	1,612
		<u>26,496</u>	<u>10,873</u>
Current assets			
Inventories		148	420
Trade receivables	7	810	41
Other receivables, deposits and prepayments	7	1,497	1,404
Tax recoverable		95	319
Cash and bank balances		30,741	42,700
		<u>33,291</u>	<u>44,884</u>
Current liabilities			
Trade payables	8	263	–
Other payables and accrued charges	9	2,488	2,064
Amount due to non-controlling shareholder		485	–
Lease liabilities		7,153	6,438
		<u>10,389</u>	<u>8,502</u>
Net current assets		<u>22,902</u>	<u>36,382</u>
Total assets less current liabilities		<u>49,398</u>	<u>47,255</u>
Non-current liabilities			
Lease liabilities		14,236	4,747
Deferred tax liabilities		235	109
Provision for reinstatement		385	–
		<u>14,856</u>	<u>4,856</u>
NET ASSETS		<u>34,542</u>	<u>42,399</u>
CAPITAL AND RESERVES			
Share capital		8,000	8,000
Reserves		26,784	34,399
Total equity attributable to equity shareholders of the company		34,784	42,399
Non-controlling interests		(242)	–
TOTAL EQUITY		<u>34,542</u>	<u>42,399</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the “**Group**”) are principally engaged in (i) provision of photography services through automatic identity documentation (“**ID**”) photo booths at different locations in Hong Kong and Guangdong Province, Mainland China; and (ii) provision of medical services starting from October 2021 by operating medical centres in Hong Kong.

The annual results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2021 but are extracted from those financial statements.

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

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregation by major service lines		
— Photography service income	20,311	19,979
— Medical service income	<u>642</u>	<u>—</u>
	<u><u>20,953</u></u>	<u><u>19,979</u></u>

(b) Segment reporting

The Group manages its business by services and geography. In a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified the following three (2020: two) reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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

Reportable segment profit 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

	2021				2020		
	Photography services		Medical services	Consolidated	Photography services		Consolidated
	Mainland		Hong Kong		Hong Kong	China	
	Hong Kong	China	Hong Kong	Hong Kong	China	China	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	18,974	1,337	642	20,953	18,513	1,466	19,979
Reportable segment profit/(loss)	4,962	562	(2,515)	3,009	4,264	752	5,016
Head office and corporate expenses				(10,538)			(9,449)
Loss before tax				(7,529)			(4,433)
Interest income				2			134
Finance costs	(265)	(134)	(24)	(423)	(356)	(88)	(444)
Depreciation	(5,492)	(69)	(602)	(6,163)	(9,483)	(15)	(9,498)

Segment assets

	2021				2020		
	Photography services		Medical services	Consolidated	Photography services		Consolidated
	Mainland		Hong Kong		Hong Kong	China	
	Hong Kong	China	Hong Kong	Hong Kong	China	China	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Reportable segment assets	11,163	749	16,626	28,538	11,966	717	12,683
Cash and bank balances				30,741			42,700
Head office and corporate assets				508			374
Consolidated total assets				59,787			55,757

Geographical information

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

	Revenue from external customers		Specified non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	19,616	18,513	24,024	9,130
Mainland China	1,337	1,466	66	131
	<u>20,953</u>	<u>19,979</u>	<u>24,090</u>	<u>9,261</u>

For the years ended 31 December 2021 and 2020, no single customer accounted for 10% or more of the Group's total revenue.

For the year ended 31 December 2021, the Group's five (2020: two) largest suppliers accounted for 73% (2020: 100%) of the Group's total purchases. For the year ended 31 December 2021, the single largest supplier accounted for approximately 17.2% of the Group's total purchases. For the year ended 31 December 2020, the single largest supplier is Photo-Me International Plc. which accounted for approximately 87.2% of the Group's total purchases. Photo-Me International Plc. is also one of the substantial shareholders of the Company.

3. OTHER INCOME AND OTHER LOSSES

(a) Other income

	2021 HK\$'000	2020 HK\$'000
Interest income	2	134
Sales of photo strips	23	11
COVID-19 related rent concessions received	1,408	5,937
Sundry income	3	–
	<u>1,436</u>	<u>6,082</u>

(b) Other net gains/(losses)

	2021 HK\$'000	2020 HK\$'000
Net exchange gains/(losses)	<u>317</u>	<u>(15)</u>

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	<u>423</u>	<u>444</u>

(b) Staff costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Salaries, wages and other benefits**	9,542	7,509
Contributions to defined contribution retirement plan	<u>434</u>	<u>357</u>
	<u><u>9,976</u></u>	<u><u>7,866</u></u>

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

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

(c) Other items

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditors’ remuneration	1,400	1,320
Depreciation	6,163	9,498
— property, plant and equipment#	525	456
— right-of-use assets#	5,638	9,042
Lease payments for short-term leases not included in the measurement of lease liabilities#	280	279
Variable lease payments not included in the measurement of lease liabilities#	6,553	7,176
Cost of inventories	<u>561</u>	<u>513</u>

- # Cost of services includes HK\$13,517,000 (2020: HK\$17,260,000) relating to staff costs, depreciation expenses and lease expenses, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.
- * In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund amounted to HK\$1,318,000 as promulgated by the Government of the Hong Kong Special Administrative Region of People's Republic of China. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5. INCOME TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	—	—
Over-provision in respect of prior years	—	(24)
	—	(24)
Deferred tax		
Origination and reversal of temporary differences	126	69
	126	45

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the group companies sustained a loss for tax purposes during the years ended 31 December 2021 and 2020.

Under the Law of the Mainland China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiary is 25% for both years. No provision for Mainland China income tax has been made in the consolidated financial statements as the Group sustained a loss for tax purposes during the years ended 31 December 2020 and 2021.

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

Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. Provision for withholding tax is recognised for the dividends that have been declared and deferred tax liability is recognised for those to be declared in the foreseeable future. The Group did not recognise any withholding tax for the year of 2021 and 2020.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before taxation	<u>(7,529)</u>	<u>(4,433)</u>
Notional tax on profit before taxation calculated at applicable tax rates	(1,256)	(669)
Tax effect of non-deductible expenses	159	170
Tax effect of non-taxable income	(56)	(188)
Over-provision in respect of prior years	–	(24)
Tax effect of tax losses not recognised	2,125	1,594
Tax effect of temporary difference not recognised	(860)	(862)
Others	<u>14</u>	<u>24</u>
Actual tax expense	<u>126</u>	<u>45</u>

6. LOSS PER SHARE

(a) **Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$7,408,000 (2020: HK\$4,478,000) and the weighted average number of ordinary shares in issue during the year of 800,000,000 (2020: 800,000,000).

(b) **Diluted loss per share**

There were no diluted potential shares in existence during the years ended 31 December 2021 and 2020.

7. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<u>810</u>	<u>41</u>
<i>Other receivables, deposits, and prepayments</i>		
Non-current assets		
Rental and utilities deposits	2,406	1,612
Prepayments for property, plant and equipment	<u>1,295</u>	<u>–</u>
	<u>3,701</u>	<u>1,612</u>
Current assets		
Rental and utilities deposits	1,074	891
Prepayments and other receivables	<u>423</u>	<u>513</u>
	<u>1,497</u>	<u>1,404</u>
Total	<u>5,198</u>	<u>3,016</u>

The Group's trading terms with its customers are mainly on cash and smart card settlement, except for payment arising from use of medical cards by patients, which the medical network agent generally settled within 60 days.

The Group also grants credit terms of 0–20 days to its lessor of the sites to install automatic ID photo booths which holds money from customer on behalf of the Group.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	651	41
31–60 days	159	–
	<u>810</u>	<u>41</u>

As at 31 December 2021 and 2020, the Group measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The Group only has few debtors that have good repayment history with the Group. The Group does not hold any collateral over these balances. Due to the financial strength of these debtors and the short duration of the trade receivables, the loss allowance for expected credit losses is considered insignificant.

8. TRADE PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	263	–
	<u>263</u>	<u>–</u>

9. OTHER PAYABLES AND ACCRUED CHARGES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accrued expenses	1,557	1,432
Salaries payables and provision for bonus	621	558
Other lease and licence fee payables	65	38
Other payables	245	36
	<u>2,488</u>	<u>2,064</u>

10. DIVIDENDS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
No interim dividend was declared and paid (2020: Interim dividend was declared and paid of 0.5 cents per ordinary share)	–	4,000
No dividend was proposed after the end of the reporting period (2020: Nil)	–	–
	<u>–</u>	<u>4,000</u>

11. COMMITMENTS

Capital commitments outstanding as at 31 December 2021 not provided for in the consolidated financial statements were as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted for	<u>631</u>	<u>–</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are principally engaged in (i) provision of photography services through automatic ID photo booths at different locations in Hong Kong and Guangdong Province, the People's Republic of China (the “**Mainland China**”); and (ii) provision of medical services starting from October 2021 by operating medical centres in Hong Kong.

Photography services business

The outbreak of the COVID-19 pandemic was continuing since early 2020 which was challenging to our markets and the Group's operating environment. As the development and spread of COVID-19 pandemic is uncertain, further changes in economic conditions for the Group arising thereof may have further impact on the financial results of the Group.

The sluggish revenue in photography services was mainly due to the outbreak of the COVID-19 pandemic and the immigration control since early 2020 that have brought the significant decrease in the travel demand, and led to a low demand of ID photos for the year ended 31 December 2021. Also, the shortening of business hours and abrupt temporarily closure of business for our licensed sites had happened during the year ended 31 December 2021. With the introduction of vaccines and the increasing vaccination rate in Hong Kong and Mainland China, we consider that the situation of COVID-19 pandemic in Hong Kong and Mainland China will slowly improve in 2022. Hence we consider that the decrease in the demand of ID photos during the year ended 31 December 2021 is temporary and the demand of ID photos will rise in the foreseeable future.

The Group will keep continuous attention on the situation of the COVID-19 pandemic and react proactively to mitigate its impact on the financial position and operating results of the Group. The Group will continually reassess the profitability on each photo booth locations and relocate the photo booths accordingly.

Reference is made to the announcements of the Company dated 15 April 2019 and 25 February 2021. On 13 January 2021, Fullwise International Limited (“**Fullwise**”), an indirect wholly-owned subsidiary of the Company, submitted the formal tender documents to a government-related ID documentations issuing authority in Hong Kong (“**Lessor**”) in relation to the provision of automatic photographic studio services at the Lessor's offices in Hong Kong for a period of 24 months with effect from 1 March 2021 (“**New Service Contract**”). On 19 February 2021, Fullwise received a letter from the Lessor which stated that Fullwise is unsuccessful in bidding the New Service Contract. The Group has requested the Lessor to provide further information on their assessment of our bid for the New Service Contract. However, the replies received from the Lessor do not provide sufficient information for our evaluation. The Company is looking for new locations with good potential for our automatic ID photo booth networks.

Reference is made to the announcements of the Company dated 30 March 2021 and 16 June 2021. On 30 March 2021, Treasure Star (China) Limited, an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with an independent third party (the “Vendor”) in relation to the proposed research and development project on validation technology upgrade of the Group’s identification photo validation center and IT infrastructure. On 16 June 2021, Max Sight International Limited, an indirect wholly-owned subsidiary of the Company, entered into an identification photo validation centre system upgrade service agreement with the Vendor, in relation to the upgrade of our IT infrastructure for our provision of identification photo validation services in the various travel documents service centres in Hong Kong. The installation has completed during the year ended 31 December 2021. The Company is negotiating with potential vendor in relation to the research and development project on validation technology upgrade of the Group’s identification photo validation center and IT infrastructure.

Due to the outbreak of the COVID-19 pandemic, the continuous changes in the government policy for ID photos in the Mainland China and the business in the Mainland China and Hong Kong was adversely impacted by macro headwinds and uncertainty, 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 and their implementation timetable. The meetings and the on-going schedules with our business partners and vendors are also postponed during the year ended 31 December 2021 and up to the date of this announcement.

In order to continue our business development, we are researching different potential projects with regards to our photography services business. Upgrading our business model by allocating further funds and resources in the IT infrastructure to achieve diversifiable development of our core business could be a new direction for the Group in the future. During the year ended 31 December 2021, a part of our IT infrastructure has been upgraded which facilitated us to provide identification photo validation services in the various travel documents services centres in Hong Kong.

Medical services business

Reference is made to the announcements of the Company dated 6 September 2021 in relation to the potential new business development and acquisition of right-of-use assets. The Board has been proactively exploring other business opportunities to diversify the Group’s existing photography services business and to bring a higher return to the shareholders of the Company. In the meantime, in view of the increasing health awareness and demand for medical services in Hong Kong, the Group has incorporated four subsidiaries during the year ended 31 December 2021 to commence medical services business. As at the date of this announcement, we have been operating four medical centres in Hong Kong to develop our medical services business starting from October 2021.

Due to the increasing health awareness from the public and the outbreak of COVID-19 pandemic since early 2020, we consider the demand on high-quality medical services will increase steadily. We are committed to promote the awareness of the healthcare and provide high quality medical services to our patients. As of the date of this announcement, the Group has leased five premises in Hong Kong for the use as medical centres for its medical services business. The Group is currently recruiting and identifying suitable medical practitioners and premises to further expand its medical services business. We aimed to further expand the medical network in Hong Kong by the end of 2022.

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

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$974,000, from approximately HK\$19,979,000 for the year ended 31 December 2020 to approximately HK\$20,953,000 for the year ended 31 December 2021. For the year ended 31 December 2021, revenue in photography services amounted to approximately HK\$20,311,000 (2020: HK\$19,979,000), which represent a slight increase of approximately 1.7%. For the year ended 31 December 2021, revenue in medical services business amounted to approximately HK\$642,000 (2020: nil), the Group commenced medical services business by operating medical centres in Hong Kong starting from October 2021.

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 and medical centres; (ii) staff costs in relation to the frontline staff; (iii) photo booth consumables; (iv) pharmaceutical supplies; (v) medical practitioners' fee; (vi) depreciations; and (vii) 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 and medical centres, which accounted for approximately 72.93% and 85.29% of our total cost of services, for the years ended 31 December 2021 and 2020 respectively.

Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK\$5,184,000 and HK\$1,757,000 for the years ended 31 December 2021 and 2020 respectively, representing gross profit margin of approximately 24.74% and 8.79% respectively, the increase was mainly due to the decrease in licence fees paid/payable and depreciation on right-of-use assets for the year ended 31 December 2021.

Other income

Other income mainly represented COVID-19 pandemic related rental concessions received, sales of photo strips and interest income. The decrease in other income is mainly due to decrease in the COVID-19 pandemic related rental concession received. Detailed information is set out in the note 3(a) of this announcement.

Other net gains and losses

Other net gains and losses represented net exchange gains of approximately HK\$317,000 and net exchange losses of approximately HK\$15,000 for the years ended 31 December 2021 and 2020 respectively.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$2,230,000, from approximately HK\$11,813,000 for the year ended 31 December 2020 to approximately HK\$14,043,000 for the year ended 31 December 2021. The increase was mainly attributable to an increase in staff cost and decrease in funding support received from the Employment Supporting Scheme under the Anti-epidemic Fund promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

Finance costs

Finance costs represented interest on lease liabilities of approximately HK\$423,000 and HK\$444,000 for the years ended 31 December 2021 and 2020 respectively.

Income tax expenses

Income tax expenses amounted to approximately HK\$126,000 and HK\$45,000 for the years ended 31 December 2021 and 2020 respectively.

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

During the year ended 31 December 2021, in view of the loss and net operating cash outflow sustained by the Group, the management considered indicators of impairment of the property, plant and equipment and right-of-use assets existed at 31 December 2021 and performed an impairment assessment thereon. Based on the impairment assessment conducted by the management, no impairment loss was recognised on property, plant and equipment or right-of-use assets in profit or loss during the year ended 31 December 2021 (2020: nil).

Loss attributable to owners of the Company

The loss attributable to owners of the Company increased by approximately HK\$2,930,000, from approximately HK\$4,478,000 for the year ended 31 December 2020 to approximately HK\$7,408,000 for the year ended 31 December 2021. The loss attributable to equity shareholders of the Company increased mainly due to (i) the decrease in other income due to the decrease in the COVID-19 pandemic related rental concession received; (ii) the increase in administrative expenses due to increase in staff cost and decrease in funding support received from the Employment Support Scheme under the Anti-epidemic Fund, which is partially offset by the improvement on gross profit due to decrease in depreciation on right-of-use assets during the year ended 31 December 2021.

Segment information

An analysis of the Group's performance for the years ended 31 December 2021 and 2020 by segment is set out in the note 2(b) of this announcement.

Employees and Remuneration Policies

As at 31 December 2021, the Group had a total of 55 workers (2020: 48 workers) situated in Hong Kong and Guangdong Province. The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution.

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

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 2021, the Group did not have any interest-bearing borrowings and therefore the gearing ratio is not applicable to the Group.

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

Capital expenditure

The capital expenditure for the years ended 31 December 2021 and 2020 were primarily related to expenditures on additions of property, plant and machinery, amounting to approximately HK\$2,181,000 and HK\$847,000 respectively.

COMMITMENTS

Details of capital commitments are set out in the note 11 of this announcement.

Use of proceeds from the Company's share offer

The Company has received the proceeds from the share offer of 200,000,000 shares of the Company (the “**Shares**”) at a price of HK\$0.31 each on 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 2021, approximately HK\$7,837,000 had been utilised, detailed information has been set out in the following table, prospectus of the Company dated 15 February 2018 (the “**Prospectus**”), the section headed “Use of proceeds from the Company's share offer and change in use of proceeds” in the announcement of the Company dated 10 May 2018 (the “**Announcement I**”) and the announcement of the Company dated 17 January 2022 (the “**Announcement II**”).

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

	Adjusted use of net proceeds as stated in the Announcement I (HK\$'000)	Actual utilised net proceeds up to 31 December 2021 (HK\$'000)	Unutilised net proceeds up to 31 December 2021 (HK\$'000)	Unutilised net proceeds as stated in the Announcement II (HK\$'000)	Expected time of fully use of unutilised net proceeds
Expansion of network of automatic ID photo booths					
— Guangdong Province	29,381	6,652	22,729	17,729	31 December 2022
— Hong Kong	471	282	189	189	31 December 2022
Upgrading of validation centre and IT infrastructure	2,000	903	1,097	1,097	31 December 2022
General working capital	—	—	—	5,000	31 December 2022
Total	<u>31,852</u>	<u>7,837</u>	<u>24,015</u>	<u>24,015</u>	

The Company is currently exploring certain business opportunities in Guangdong Province and other provinces in the Mainland China and is having on-going discussions with Prestige Technology Company Limited and other operators to pursue the expansion plan of expanding our network of automatic ID photo booths.

Apart from automatic ID photo booth network expansion, we plan to upgrade our IT capability to cope with future business trend and customers demand. During the year ended 31 December 2021, we engaged vendors for upgrading our IT infrastructure including but not limited to the telemetry system and e-payment facilities. We are also assessing the feasibility with some vendors to upgrade the validation systems and IT infrastructure in Hong Kong and Mainland China.

As a result of the outbreak of the COVID-19 pandemic and continuous changes in the government policy for ID photos in the Mainland China, and the business in Mainland China and Hong Kong was adversely impacted by macroeconomic headwinds and uncertainty, our business developments in Guangdong Province and Hong Kong were delayed during the year ended 31 December 2021 and up to the date of this announcement. Having monitored and assessed the current impact brought by the above issues, we expect that the future business opportunities and demand for automatic ID photo booths in Guangdong Province may decrease. These factors have rendered the expansion plan of the Group to further penetrate into the automatic ID photo booth market in Guangdong Province which become increasingly challenging. As such, we consider that a more cautious approach in relation to the execution of the Group's expansion plan should be adopted. As a result, as disclosed in the Announcement II, our Board has reallocated the use of approximately HK\$5.0 million in the unutilised net proceeds from the original purpose of expansion of network of automatic ID photo booth in Guangdong Province to general working capital, as we believe that this will allow the Group to deploy its financial resources in a more flexible, beneficial and effective way. We will also continuously evaluate, reassess, change or modify the existing plans and explore new business opportunities in view of the latest market condition with an aim to achieve sustainable business growth and to bring long- term benefits for the Shareholders.

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

Foreign exchange risk management

The Group is exposed to currency risk primarily through cash and bank balances that are denominated in United States Dollars (“USD”) and Renminbi held by Hong Kong entities. And the Group derives its revenue, makes purchases and incurs expenses denominated mainly in Renminbi and Hong Kong Dollars (“HK\$”). Foreign currency exposure to USD is insignificant, as the HK\$ is pegged to the USD. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group’s exchange rate risks. The management considers that the exchange rate of Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the Mainland China Government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

Significant investments held, future plans for material investment and capital assets

As at 31 December 2021 and 2020, the Group did not hold any significant investments, future plans for material investment and capital assets.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

As at 31 December 2021 and 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Pledge of assets

As at 31 December 2021 and 2020, the Group had no pledge of assets.

Contingent liabilities

As at 31 December 2021 and 2020, the Group did not have any significant contingent liabilities.

Subsequent events

The outbreak of the COVID-19 pandemic was continuing since early 2020 which was challenging to the photography services business and medical services business. The Group has been closely monitoring the impact of the developments on the Group’s businesses and has implemented contingency measures. As far as the Group’s businesses are concerned, the outbreak of the COVID-19 pandemic 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 and epidemic prevention equipments and consumables.

As the development and spread of the COVID-19 pandemic subsequent to the date of this announcement 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 announcement. The Group will keep continuous attention on the situation of the COVID-19 pandemic and react actively to its impact on the financial position and operating results of the Group.

Dividends

The Directors do not recommend to declare an interim dividend during the year ended 31 December 2021 and a final dividend for the year ended 31 December 2021.

An interim dividend of HK\$0.005 per Share was paid on 18 September 2020. The Directors do not recommend to declare any final dividend for the year ended 31 December 2020. On 7 August 2020, the Directors have recommended to declare an interim dividend of HK\$0.005 per Share for the six months ended 30 June 2020, totaling HK\$4,000,000 out of the share premium account of the Company, and the recommendation has been approved by the Shareholders at the extraordinary general meeting held on 31 August 2020. The dividend has been paid and reflected as an appropriation of share premium for the nine months ended 30 September 2020.

Other details are set out in note 10 of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting (“AGM”) will be held on Friday, 17 June 2022. For details of the AGM, please refer to the notice of AGM which is expected to be published on 24 March 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for attending at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 13 June 2022.

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 2021, the Company has complied with all applicable code provisions of the CG Code.

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

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

In response to specific enquiry made by the Company, each of the Directors gave confirmation that he complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Octal Capital Limited (“**Octal Capital**”) 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. As at 25 March 2021, being the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after 28 February 2018 and being the last day of its appointment as the Company’s compliance adviser, except for the compliance adviser agreement entered into between the Company and Octal Capital dated 8 July 2017, neither Octal Capital 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 announcement.

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

During the year ended 31 December 2021, an associate of Mr. Riccardo Costi, a non-executive Director had interests in Dedem S.P.A. and its subsidiaries which are principally engaged in automatic ID photo booths operation and provision of auxiliary services to photo booths operation in Europe. As such, Mr. Riccardo Costi is regarded as having interests in the business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and the Shareholders and will avoid any potential conflicts of interests. For the year ended 31 December 2021, the Board was comprised of eight Directors (one executive Director appointed on 6 September 2021) 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 2021, 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 the confirmation letters issued by the Lender for renewal of the Facility Agreement which has been expired on 30 June 2020. On 14 July 2020, the Facility Agreement has been further renewed which has been expired on 30 June 2021. The term loan facility shall be repayable in full in 13 months from the date of drawdown. Max Sight Limited did not renew such Facility Agreement subsequent to its expiry on 30 June 2021.

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 announcement, Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Ms. Au-Yeung Ying Ho jointly hold approximately 53.45% of the entire issued share capital of the Company through Causeway Treasure.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee had, together with the management and external auditor, reviewed the accounting principles and policies adopted by the Group, the annual results and the draft consolidated financial statements for the year ended 31 December 2021.

PUBLICATION OF THE ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maxsightgroup.com), and the 2021 Annual Report containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

LANGUAGE

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

By order of the Board
Max Sight Group Holdings Limited
Chan Wing Chai, Jamson
Chairman and Executive Director

Hong Kong, 18 March 2022

As at the date of this announcement, the executive Directors are Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Dr. Chan Wing Lok, Brian; the non-executive Directors are Mr. Cheung Kam Ting and Mr. Riccardo Costi; and the independent non-executive Directors are Mr. Ngai James, Mr. Hui Chi Kwan and Mr. Kwok Tsun Wa.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of publication and on the website of the Company at www.maxsightgroup.com.