

# Max Sight Photo 名仕快相

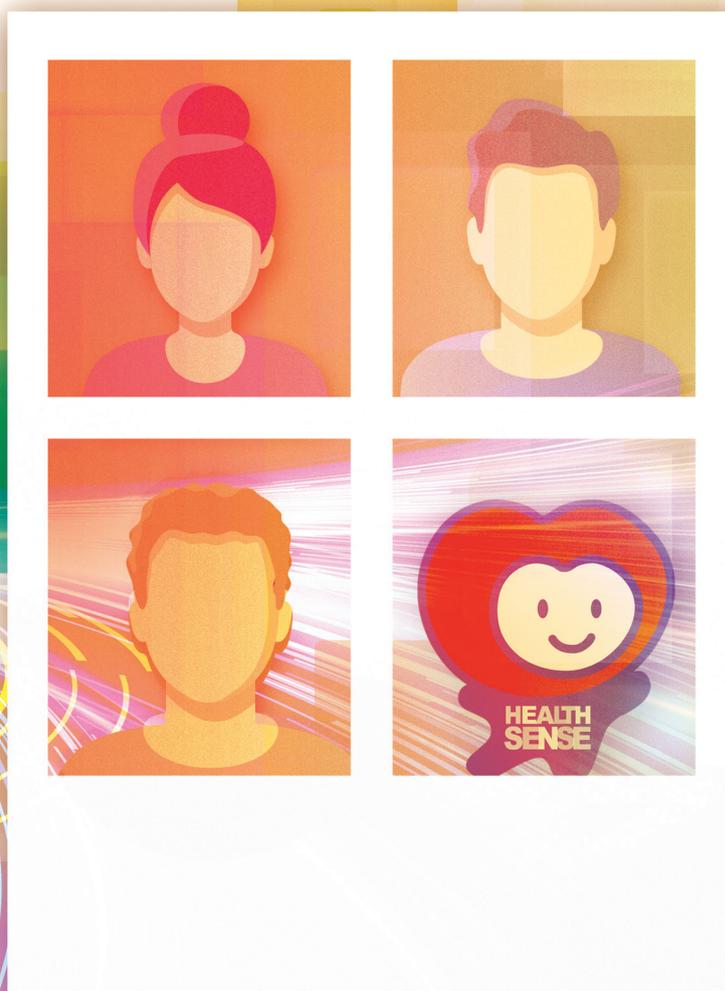
## Max Sight Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8483

Annual Report

# 2021



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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).*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chan Wing Chai, Jamson (*Chairman*)

Mr. Chan Tien Kay, Timmy  
(*Chief Executive Officer*)

Dr. Chan Wing Lok, Brian  
(*Appointed on 6 September 2021*)

### 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. Wong Chi Hong

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 (ceased on 25 March 2021)

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

DBS Bank (Hong Kong) Limited  
11th Floor, The Center  
99 Queen's Road Central  
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 2021.

For the year ended 31 December 2021, 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. And we also have commenced medical services business by operating medical centres in Hong Kong to diversify the Group's business and broaden its sources of revenue.

## STRATEGIES

The financial year of 2021 is a harsh and challenging year for most of us. The outbreak of the COVID-19 pandemic was continuing since early 2020 which has brought about additional uncertainties in the photography services market and the 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.

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 information technology ("**IT**") infrastructure and their implementation timetable. The meetings and the on-going schedules with our business partners and vendors are also postponed.

In order to continue our business development, we are researching different potential projects to build up 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, part of our IT infrastructure has been upgraded for our provision of identification photo validation services in various travel documents services centres in Hong Kong.

Due to the outbreak of COVID-19 pandemic and the increasing health awareness from the public in Hong Kong, we have commenced medical services business in October 2021 with the aim to expand our business portfolio, diversify our income stream, broaden our revenue base and potentially enhance our financial performance. As of the date of this annual report, we have employed and engaged around 24 staff and qualified professionals to commence medical services business. The Group has set up and is currently operating four medical centres in Hong Kong since October 2021, and we are planning to open more medical centres by the end of 2022. We will continue to identify new locations with good potential for further expansion of our medical networks.

We are committed to strengthen our existing core business and shall continue to capture market opportunities. We will continuous to conduct research and exploring 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 of the Company (the "**Shareholders**").

## RESULTS

As a result of a tough business operating environment, we generated revenue of approximately Hong Kong Dollars ("**HK\$**") 20,953,000, while our loss attributable to owners of the Group was approximately HK\$7,408,000 for the year ended 31 December 2021. Such loss is mainly caused by the outbreak of the COVID-19 pandemic during the year ended 31 December 2021.

# CHAIRMAN'S STATEMENT

## 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 any final dividend for the year ended 31 December 2021.

## BUSINESS REVIEW

The Group attributed such deterioration in financial performance primarily to the sluggish revenue of the Group during the year ended 31 December 2021. 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. We consider that the decrease in the demand of ID photos during the year ended 31 December 2021 is temporary and the demand of photography services will rise after the situation of COVID-19 pandemic is improved.

In response to the difficult business 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 various property owners to apply for the licence fee concessions and seeking for more favourable terms with vendors. 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.

In view of the increasing health awareness and demand for medical services in Hong Kong, the Group commenced medical services business by operating medical centres in Hong Kong in October 2021. The Group has incorporated four subsidiaries during the year ended 31 December 2021 to commence its medical services business. As of the date of this annual report, we have employed and engaged around 24 staff and qualified professionals and operated four medical centres in Hong Kong to develop our medical services business. The Group is currently recruiting and identifying suitable medical practitioners and premises to further expand its medical services business. The Group aims to further open more medical centres in Hong Kong by the end of 2022. The Board will continue to explore other business opportunities to diversify the Group's existing business proactively in order to bring a higher return to the shareholders of the Company.

## 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 2021, 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, 18 March 2022

# 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

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 annual report.

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, part of our IT infrastructure has been upgraded which facilitated us to provide identification photo validation services in 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 report, we have been operating four medical centres in Hong Kong to develop our medical services business.

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 healthcare and provide high quality medical services to our patients. As of the date of this annual report, 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 aim 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 5(a) to the consolidated financial statements.

### 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

### 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 4(b) to the consolidated financial statements.

### 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.

During the year ended 31 December 2021, the Group's contributions under the Mandatory Provident Fund Scheme, which is a defined contribution scheme had no forfeited contributions may be used to reduce the existing level of contributions.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

### 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.

### 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	31,852	7,837	24,015	24,015	

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

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

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 annual report. 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 annual report, 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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

### 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 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 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 20(b) to the consolidated financial statements.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Chan Wing Chai, Jamson (陳永濟)**, aged 75, 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 of the Board. Mr. Chan is primarily responsible for devising strategies for the continuous development of the Group, overseeing the Group's business operations and financial performance, as well as leading the Board in performing its functions. Since March 1989, Mr. Chan served as a director of Max Sight Limited, the first member of the Group. He has also been serving as a director of most of our subsidiaries. He has 31 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 ("**Causeway Treasure**"), 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 the father of Mr. Chan Tien Kay, Timmy and Mr. Chan Ernie Shiu Kay. Mr. Chan is also a cousin of Dr. Chan Wing Lok, Brian, an executive Director.

**Mr. Chan Tien Kay, Timmy (陳天奇)**, aged 48, 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 25 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 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. Chan is also a nephew of Dr. Chan Wing Lok, Brian, an executive Director.

**Dr. Chan Wing Lok, Brian (陳永樂)**, aged 57, was appointed as an executive Director with effect from 6 September 2021. Dr. Chan graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), DCH (RCP&SI) and DPD (Cardiff). Dr. Chan has also been appointed as a Clinical Assistant Professor (honorary) in Family Medicine of the Faculty of Medicine, Jockey Club School of Public Health and Primary Care of The Chinese University of Hong Kong for the years 2016–2020. Dr. Chan was appointed as a director of Max Medical Services Limited, a wholly-owned subsidiary of the Company and Wealthy Dragon Development Limited, a non-wholly owned subsidiary of the Company in September 2021, in which he is primarily responsible for the development of the medical services business of the Group. Dr. Chan was also appointed as the chief medical executive of Max Medical Services Limited on the same day. Before joining the Group, Dr. Chan served as an executive director of Town Health International Medical Group Limited (stock code: 3886), a company listed on the Stock Exchange, from July 2011 to September 2015 and from June 2018 to December 2019 and a director of their various subsidiaries till 5 September 2021, the principal business of which is medical and health care services. Dr. Chan has 30 years of experience in the field of medical services business. Dr. Chan is a cousin of Mr. Chan Wing Chai, Jamson, an executive Director and he is also an uncle of Mr. Chan Tien Kay, Timmy, an executive Director and Mr. Chan Ernie Shiu Kay.

# DIRECTORS AND SENIOR MANAGEMENT

## NON-EXECUTIVE DIRECTORS

**Mr. Cheung Kam Ting (張淦庭)**, aged 77, 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 since October 1999. Mr. Cheung has over 44 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 77, 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 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 39 years of extensive experience in the automatic photography industry.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ngai James (倪雅各)**, aged 58, 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 30 years of experience in accounting, auditing and taxation matters and is a managing director of Russell Bedford James Ngai CPA Limited.

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

**Mr. Hui Chi Kwan (許次鈞)**, aged 72, 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 75, 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 52 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 December 2015. 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 48, 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 27 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 45, 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 8 years of experience in provision of photocopying services. Mr. Chan became a sole shareholder of Pinnacle Vision Limited in July 2013 which is a company engaging in the provision of photocopying services. He graduated from the University of Minnesota in the United States in arts in December 2006. Mr. Chan is the son of Mr. Chan Wing Chai, Jamson and the younger brother of Mr. Chan Tien Kay, Timmy. Mr. Chan is also a nephew of Dr. Chan Wing Lok, Brian, an executive Director.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chun Chi Sing, Benny (秦智聲)**, aged 56, 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 27 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 35, 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 11 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 2021.

## PRINCIPAL ACTIVITIES

The Company is principally (i) 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; and (ii) engaged in medical services business by operating medical centres in Hong Kong. Analysis of the principal activities of the subsidiaries of the Company during the year ended 31 December 2021 is set out in the note 4 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 73 of this annual report.

## FINAL DIVIDENDS

The Directors do not recommend to declare any final dividend for the year ended 31 December 2021. Other details are set out in note 20(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 2021 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 12 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 and medical centres

Our well-established photo booth locations in Hong Kong and Guangdong Province and medical centres locations in Hong Kong are convenient and readily accessible and this extensive network of photo booths and medical centres is instrumental to our success in the industries. 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.

# REPORT OF DIRECTORS

- Revenue and financial performance for photography services

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.

- The reliance on the professional team in medical services business

We are dependent on our professional team to provide medical services to its customers who look for quality medical services and stable doctor-patient relationship. Our financial results and our medical services may be adversely affected if we are not able to engage qualified professionals to join our team or retain them. In particular, our business model in medical services business relies on consultancy or employment arrangements. The consultancy or employment arrangements of the Group's professional team with the Group may be terminated by either party giving the required notice.

The suitable medical practitioners are limited and the Group has to compete with medical service providers in both the public and private sectors for these registered medical practitioners. The professional team is one of the Group's valuable assets and the Group attracts quality new members to join the professional team through the Group's reputation, competitive compensation package, supportive working environment and attractive career development.

- The reputation in medical services business

We rely on our reputation within the medical services business and our brand's image which may be adversely affected by negative publicity, complaints, allegations or legal actions regarding the adequacy of patient care, treatment outcome and medical services provided, which may harm the business, operating results, financial condition, brand and reputation of the Group. Moreover, the limitation in promoting the business of our Group may affect our ability to further enhance our brand recognition or secure new business opportunity in the future.

The Group has developed a set of standard operation procedures for each of the medical centres and conducted sharing sessions among medical practitioners from time to time so as to minimise the risks and chances of medical negligence.

- Natural disaster or outbreak of contagious diseases

Occurrence of any natural disaster or outbreak of contagious diseases such as COVID-19 pandemic, could adversely affect the Group's business and operations. The Group has implemented business continuity plans which include "Work from Home", "Flexible Working Hours" and "Split-team Arrangements"; and has strived to ensure all safety measures as required by the Governments and the relevant authorities are fully implemented.

# 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 2021, 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 49 to 66 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 2021, 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 123 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 pages 10 to 11.

# REPORT OF DIRECTORS

## MAJOR CUSTOMERS AND SUPPLIERS

### Major customers

Our target customers in the photography services and medical services business are consumers of the general public. Due to the nature of our industries, we do not rely on any single customer for the years ended 31 December 2021 and 2020.

### Major suppliers

For the year ended 31 December 2021, the Group's five (2020: two) largest suppliers accounted for approximately 73% (2020: 100%) of the Group's total purchases and the single largest supplier accounted for approximately 17.2% (2020: 87.2%) of the Group's total purchases.

During the year ended 31 December 2021, 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 2021 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 2021 are set out in note 20 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2021 are set out on pages 75 and 121 respectively of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 December 2021, the distributable reserves of the Company amounted to approximately HK\$14,357,000. No final dividend was declared for the year ended 31 December 2021.

## BANK LOANS AND OTHER BORROWINGS

As at 31 December 2021, the Group did not have any bank loans and other borrowings.

# REPORT OF DIRECTORS

## DIRECTORS

The Directors during the year ended 31 December 2021 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*)

Dr. Chan Wing Lok, Brian (*Appointed on 6 September 2021*)

### 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 13 to 16 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

Other than Dr. Chan Wing Lok, Brian, 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. On 19 March 2021, the service contracts for Mr. Chan Wing Chai, Jamson and Mr. Chan Tien Kay, Timmy were renewed for a fixed terms of three years with the Company with effect from 1 April 2021. On 6 September 2021, Dr. Chan Wing Lok, Brian has signed a service contract with the Company as an executive Director for a term of three years from 6 September 2021, and shall thereafter continue on a month to month basis unless otherwise agreed between both parties by three months' 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 2021.

## 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 2021.

## 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. The Company has adopted a share option scheme as incentive to the Directors and eligible employees.

During the year ended 31 December 2021, no bonus was paid to the Directors. Details of the emoluments of the Directors and the five highest paid individuals during the year ended 31 December 2021 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 20(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 2021, 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 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	Number of Shares	Long/short position	Approximate shareholding percentage in the relevant shares in the associated corporation
Mr. Chan Wing Chai, Jamson	Causeway Treasure	Beneficial owner <sup>(1)</sup>	427,600,560	Long	47.25%
Mr. Chan Tien Kay, Timmy	Causeway Treasure	Beneficial owner <sup>(1)</sup>	427,600,560	Long	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 2021, 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 2021 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 2021, 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 Ms. Au-Yeung Ying Ho	Beneficial owner <sup>(1)</sup> Interest in a controlled corporation <sup>(2)</sup>	427,600,560 427,600,560	Long Long	53.45% 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 2021, 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 2021 and there was no outstanding share option as at 31 December 2021.

### 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, invites 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 2021, 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 2021 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 2021 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 2021, 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.

## CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Save as disclosed above and in this annual report, there was no contract of significance (whether for the provision of services to the Group or not) between the Company or any of its subsidiaries and a controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of its subsidiaries subsisted as at 31 December 2021 or at any time during the year ended 31 December 2021.

## RELATED PARTY TRANSACTIONS

Save as the above disclosure and note 23 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 2021, the Group made no charitable and other donations.

# REPORT OF DIRECTORS

## SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2021, 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 12 in this annual report.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") had, together with the management and external auditors (the "**Auditors**"), reviewed the accounting principles and policies adopted by the Group, the annual results and the consolidated financial statements for the year ended 31 December 2021.

## 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 31 to 48 of this annual report.

The compliance officer of the Company is Mr. Chan Tien Kay, Timmy, whose biographical details are set out on page 13. 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 16.

## 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 the Listing Date 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 annual report.

# REPORT OF DIRECTORS

## 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 2021 and up to the date of this annual report.

## AUDITORS

KPMG was appointed as the Auditors for the year ended 31 December 2021. 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 Choi, Jamson**

*Chairman and executive Director*

Hong Kong, 18 March 2022

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board has reviewed and discussed the Group’s environmental, social and governance report at least annually to assess the management and control of the risks in environmental, social and governance.

To respond to the expectation from the stakeholders of the Group and further enhance the corporate governance practices in relation to the environmental and social perspectives, the Group’s environmental, social and governance initiatives are set out in the “environmental, social and governance report” on pages 49 to 66 in this annual report.

## 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 three executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

#### Executive Directors:

Mr. Chan Wing Chai, Jamson (*Chairman*)  
Mr. Chan Tien Kay, Timmy (*Chief Executive Officer*)  
Dr. Chan Wing Lok, Brian (*Appointed on 6 September 2021*)

#### 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

# CORPORATE GOVERNANCE REPORT

## THE BOARD (continued)

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

During the year ended 31 December 2021 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.

The Board has reviewed the structure of the Board at least annually to consider 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. The Board has actively identified individuals that are suitable and qualified to become Board members to fulfill the Board Diversity Policy and enhance gender diversity on the Board. Since the Board was comprised with the single gender Directors as at the date of this report, the Board aims to nominate and appoint at least one female candidate to be our Board member within the next two financial years. The Company will also proactively provide trainings to our senior managements and will take into account the factor of gender diversity when recruiting suitable candidates for our senior management in the future, so to develop a pipeline of potential successors for the Board and enhance gender diversity in the Board in the coming years. The Company may also engage human resources agencies to identify potential successors for the Board and enhance gender diversity in the coming years, if necessary.

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. The Board reviews the implementation and effectiveness of such mechanism on an annual basis.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (continued)

### Board Diversity Policy (continued)

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

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

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

## INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2021, 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 C2.1 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.

# CORPORATE GOVERNANCE REPORT

## TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Other than Dr. Chan Wing Lok, Brian, each of the executive Directors has signed a service contract with the Company for a term of three years commencing from the Listing Date, and shall thereafter continue on a month to month basis unless otherwise agreed between both parties by three months' notice in writing. On 19 March 2021, the service contracts for Mr. Chan Wing Chai, Jamson and Mr. Chan Tien Kay, Timmy were renewed for a fixed terms of three years with the Company with effective from 1 April 2021. On 6 September 2021, Dr. Chan Wing Lok, Brian has signed a service contract with the Company as an executive Director for a term of three years from 6 September 2021, and shall thereafter continue on a month to month basis unless otherwise agreed between both parties by three months' notice.

Each of the non-executive Directors has signed a service contract 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.

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 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.

## 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 within reasonable time after the meetings.

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 meetings are open for inspection by Directors.

# CORPORATE GOVERNANCE REPORT

## BOARD MEETINGS (continued)

During the year ended 31 December 2021, six Board meetings and one general meeting were held and the attendance of each Director at these Board meetings and general meetings is set out in the table below:

Directors	Board meeting(s) attended/held	General meeting attended/held
<b>Executive Directors:</b>		
Mr. Chan Wing Chai, Jamson	6/6	1/1
Mr. Chan Tien Kay, Timmy	6/6	1/1
Dr. Chan Wing Lok, Brian ( <i>Appointed on 6 September 2021</i> )	1/1	0/0
<b>Non-executive Directors:</b>		
Mr. Cheung Kam Ting	6/6	1/1
Mr. Riccardo Costi	6/6	0/1
<b>Independent Non-executive Directors:</b>		
Mr. Ngai James	6/6	1/1
Mr. Hui Chi Kwan	6/6	1/1
Mr. Kwok Tsun Wa	6/6	1/1

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

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

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.

## 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 REPORT

## CORPORATE GOVERNANCE FUNCTION

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

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

## BOARD COMMITTEES

### Audit Committee

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

The principal duties of the Audit Committee include the following:

1. to review the relationship with the 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.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (continued)

### Audit Committee (continued)

During the year ended 31 December 2021, the Audit Committee had held six meetings with the following matters:

- reviewed the quarterly, interim and annual results of the Group as well as the audit report prepared by the Auditors relating to accounting issues and major findings in course of audit;
- 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; and
- oversaw the Company's relations with the Auditors, and to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the Auditors, and to approve the remuneration and terms of engagement of the Auditors, and to consider any questions of their resignation or dismissal.

Minutes of the meetings are kept by the company secretary with copies circulated to all Audit Committee members for information and records within reasonable time after the meetings.

During the year ended 31 December 2021, the attendance of each Audit Committee member is set out in the table below:

<b>Audit Committee member</b>	<b>Meetings attended/held</b>
Mr. Ngai James	6/6
Mr. Hui Chi Kwan	6/6
Mr. Kwok Tsun Wa	6/6

The Group's unaudited quarterly and interim results and audited annual results for the year ended 31 December 2021 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.

### 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;

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (continued)

### Nomination Committee (continued)

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 2021, the Nomination Committee had held two meetings 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 the 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.

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;

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (continued)

### Nomination Committee (continued)

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 E.(d)(iii) 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 B.3.4 of the CG Code;
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;

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (continued)

### Nomination Committee (continued)

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 2021, the attendance of each Nomination Committee member is set out in the table below:

<b>Nomination Committee member</b>	<b>Meetings attended/held</b>
Mr. Chan Wing Chai, Jamson	2/2
Mr. Ngai James	2/2
Mr. Kwok Tsun Wa	2/2

### 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;

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (continued)

### Remuneration Committee (continued)

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.

The main procedure of the remuneration policy for Director and senior management is summarised as follows:

1. to evaluate the performance of all Directors and senior management and make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, and any compensation payable for loss or termination of their office(s) or appointment(s), and to make recommendations to the Board on the remuneration of non-executive Directors;
3. in determining such packages and arrangements, give due regard to any relevant legal requirements, and the provisions, guidelines and recommendations of related regulatory bodies to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and any of its subsidiaries;
4. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office(s) or appointment(s) to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (continued)

### Remuneration Committee (continued)

5. to review annually the appropriateness and relevance of the remuneration policy;
6. to consult the chairman of the Board and/or the chief executive of the Company about their remuneration proposals for other executive Directors. The remuneration committee members should have access to independent legal and professional advice if necessary;
7. at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
8. make recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed.

During the year ended 31 December 2021, the Remuneration Committee had held two meetings 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 2021, the attendance of each Remuneration Committee member is set out in the table below:

Remuneration Committee member	Meeting attended/held
Mr. Ngai James	2/2
Mr. Hui Chi Kwan	2/2
Mr. Chan Tien Kay, Timmy	2/2

### Remuneration of Directors and senior management

Particulars of the remuneration of the Directors and the five highest paid individuals for the year ended 31 December 2021 are set out in notes 7(a) and 7(b) to the consolidated financial statements. Pursuant to code provision E.1.5 of the CG Code, the remuneration of the 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

# CORPORATE GOVERNANCE REPORT

## 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 2021 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 67 to 72 of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board has entrusted the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. During the year ended 31 December 2021, 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 2021, 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.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL (continued)

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.

During the year ended 31 December 2021, major works performed by the management in relation to risk management and internal control include the following:

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group's performance; assessing and evaluating the identified risks according their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;
- the management, together with the controller's department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;
- the management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were given to all major risks identified;
- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and
- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. are in place.

## INSIDE INFORMATION

The Company has developed its disclosure policy which provides a general guide to the Directors, senior management and relevant employees of the Company in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

# CORPORATE GOVERNANCE REPORT

## AUDITORS' REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditors to the Group during the year ended 31 December 2021 was approximately as follows:

Type of Services	Amount (HK\$'000)
Audit services	1,400
Non-audit services	–
<b>Total</b>	<b>1,400</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 2021, Mr. Wong Chi Hong has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 5.15 of the GEM Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The general meetings of the Company provide 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 AGMs to answer Shareholders' questions. The Auditors will also attend the AGMs 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. The Company has established several channels to communicate with the shareholders as follows:

- corporate communications such as annual reports, interim reports, quarterly reports and circulars are issued in printed form and are available on the website of the Stock Exchange and on the website of the Company at [www.maxsightgroup.com](http://www.maxsightgroup.com);
- periodic announcements are published on the websites of the Stock Exchange and the Company;

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (continued)

- corporate information is made available on the Company's website; and
- annual and extraordinary general meetings, if any, provide a forum for the shareholders to make comments and exchange views with the Directors and senior management.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended 31 December 2021.

## 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 2021, 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 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 was being 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.

## PURPOSE, VALUES AND STRATEGY

Our ID photography services business aims to provide a high-quality photography services as "Precise Validation, Simple Photograph" to our customer. We offer our customers in Hong Kong and Guangdong Province, an "unconditional guarantee" that if, for whatever reasons, our customer is not satisfied with a photo taken by the ID photo booths operated by us, we will provide a free photo retake to the customer's satisfaction or full money refund upon their return of the photos taken. We believe that our "unconditional guarantee" is able to enhance customers' confidence in our products.

In order to achieve diversifiable development of our core business, we commenced medical services business during the year ended 31 December 2021. As we believe that health is very crucial for everyone, we are committed to provide the public with comprehensive and reliable medical services, including multiple-choice physical exam plans, vaccination services, outreach doctors services, sales of therapeutic services and wellness merchandise, aiming and hoping to cover the day-to-day wellness needs of our customers. In addition to our core business, we also fulfill our corporate social responsibilities by organising and providing the medical benefits program to give back to the community. In the future, we will continue to develop a variety of medical services programs to support the community's medical needs.

# CORPORATE GOVERNANCE REPORT

## WHISTLEBLOWING POLICY

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

The Board shall review such arrangement regularly, conduct independent investigation on these matters if necessary, and considers and provides appropriate follow-up action.

The policies of Anti-corruption are contained in the section headed "Anti-corruption" on page 65 in this annual report.

## 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 annual report, 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.

## 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

The Group is principally engaged in (i) provision of photography services through automatic ID photo booths at different locations in Hong Kong and Guangdong Province, Mainland China; and (ii) provision of medical services business by operating medical centres in Hong Kong. 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.

The ESG report discloses the Group’s ESG policies, measures, and performance for the year ended 31 December 2021.

## REPORTING PRINCIPLES

The Group has prepared this ESG Report in accordance to the following reporting principles stated in the ESG Reporting Guide.

- **Materiality:** The Group communicates with our major stakeholders groups on a regular basis to identify and assess ESG-related issues that matter most from stakeholders’ perspectives. Key ESG issues identified through stakeholder engagement and materiality assessment.
- **Quantitative:** Quantitative information and key performance indicators (“KPIs”) presented in this ESG Report is accompanied by narrative, explanation and comparison wherever applicable.
- **Balance:** This ESG report aims to disclose data in an objective way, which aims to provide stakeholders with a balance overview of the Group’s overall ESG performance.
- **Consistency:** Unless otherwise stated, the Group adopts consistent methodologies and retrieves social and environmental KPIs from the Group’s internal record system. The scope of reporting and KPIs are consistent with those of the previous report to allow meaningful comparison over time.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## THE BOARD'S COMMITMENT AND ESG APPROACH

The Board is responsible for monitoring and managing ESG-related risks and the effectiveness of the ESG management system. The Board reviews and discusses the goals and targets under the ESG initiatives to optimise efficient use of resources and to minimise impact on the environment and natural resources from the Group's operation on an annual basis. During the year ended 31 December 2021, the Company has complied with the "comply or explain" provisions set out in the Appendix 20 to the GEM Listing Rules.

The Board believes that a sound environmental, social and governance structure is vital for continued sustainability and development of the Group's activities. The Group is willing to take more responsibilities for the society but with a view to balancing the Shareholders' interests and the society's benefits.

We will continue to strengthen our efforts in information collection for better performance in the ESG areas and broader disclosure of related information in sustainable development. We welcome any comments and suggestions on the ESG report as well as the Group's performance in sustainability development.

## REPORTING BOUNDARY

In order to preserve a meaningful comparison, there was no material change to the methods or KPIs used by the Group in the years ended 31 December 2021 and 2020. The Group did not have any reporting boundaries of this ESG report.

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY

For the Group, the stakeholders refer to groups and individuals who have significant impact on the Group's business, or those who are affected by the Group's business. The participation of stakeholders is an important part of the business management of the Group for it to examine potential risks and business opportunities. Communicating with stakeholders enables the Group to understand their views, and it brings business practices of the Group closer to their needs and expectations, so as to properly manage the views of different stakeholders.

The Group constantly communicates with key stakeholders within and outside the Group through various channels. This ensures that they are given an opportunity to understand the development and operating directions of the Group, as well as the opportunities for the Group to listen to their opinions in order to evaluate, prioritize and manage different issues, and to develop corresponding policies.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

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

### Emissions

It is the Group's policy to ensure compliance with applicable environmental laws and regulations including the Environmental Protection Law of the People's Republic of China and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China as well as the Waste Disposal Ordinance and the Air Pollution Control Ordinance of Hong Kong. And the Group also aims to minimise 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, paper and medical waste.

During the year ended 31 December 2021, 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. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, and comply with the relevant environmental laws and regulations.

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. The vehicles were used for a short-distance travel during the year ended 31 December 2021, the emission from our vehicles imposed immaterial impact on the overall air pollution in Hong Kong.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Environmental (continued)

#### Emissions (continued)

During the year ended 31 December 2021, the air emissions is set out below:

Type of air emissions	Emission Source	Emission
Nitrogen Oxides (g)	Vehicles fuel consumption	1,089
Sulphur Oxides (g)	Vehicles fuel consumption	19
Particulate Matter (g)	Vehicles fuel consumption	80

During the year ended 31 December 2021, the greenhouse gas ("GHG") emission from the operation is set out below:

Scope of GHG emissions	Equivalent carbon dioxide ("CO <sub>2</sub> ") emission (kg)
Scope 1 — direct emissions (vehicles fuel consumption)	3,508
Scope 2 — indirect emissions (purchased electricity in the offices)	12,947
Scope 3 — other indirect emissions (paper in the offices)	1,461
Total emissions	17,916

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.

The total GHG generated by the Group during the year ended 31 December 2021 was approximately 17,916 kg of CO<sub>2</sub> equivalent, with an intensity of approximately 326 kg per employee of CO<sub>2</sub>, comprising of fuel consumption by the Group's vehicles, electricity and paper waste. The Group understands that its business operation contributes to consumption of natural resources and the waste it releases poses threat to public health and the environment if handled improperly. The Group strives to protect the environment, reduce carbon emission and establish a green office by implementing various energy saving, water saving and waste reduction initiatives. The Group will review the existing operation procedures of the businesses regularly to improve the consumption of natural resources. The Group aims to reduce or maintain GHG emissions at the stable level in the future. During the year ended 31 December 2021, the Group set a target of maintaining or reducing the total GHG emissions in the next 3 years compared to the year ended 31 December 2021.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Environmental (continued)

#### Emissions (continued)

##### **Hazardous Wastes**

Due to its business nature of ID photo, the Group does not produce any hazardous wastes in its operations.

For the medical services business, the operations are subject to environmental regulations, especially those relating to medical waste disposal such as Hong Kong's Code of Practice for the Management of Clinical Waste. We recognise the potential risk posed to the environment and human health, if medical waste is not properly disposed. It is our duty to handle waste in a legal, safe and professional manner. Medical waste, such as used syringes, contaminated pads, cotton balls, human tissue specimens after examination and expired medicines, are identified and categorised under our medical waste guidelines together with the handling procedures to guide our staff to handle and manage the medical wastes effectively and safely.

Medical wastes are sealed, labelled and stored at a designated area inside our medical centres until the licensed waste contractor collect them for further treatment. Records of the medical wastes are kept with traceable information such as date and address of delivery, quantity and the name of licensed collector. Training is provided to all our medical staff to make sure they are aware of the procedures.

It is our policy to educate the staff to avoid unnecessary consumption and disposal of materials. However, to maintain a hygienic environment at our medical centres and to protect our patients from infection, the use of disposable items becomes necessary, and thus, the room for reducing non-hazardous waste is limited.

During the year ended 31 December 2021, we collected approximately 3 kg of clinical wastes, with an intensity of approximately 1 kg per medical centres. The Group aims to remain at low level of hazardous wastes consumption in the next 3 years. The Group will review the existing policies regularly and assign the senior staff to supervise the operating procedures to ensure the staff has followed our instruction on the policies.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Environmental (continued)

#### Emissions (continued)

##### Non-hazardous Wastes

The Group considered the amount of non-hazardous wastes is not significant. The non-hazardous wastes generated by the Group's operations mainly consist of paper, which 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. Furthermore, our medical centres are currently using a medical management software system which allows our staff to handle the data digitally and to achieve the paperless operation environment for our medical services business. This enhances operational efficiency and reduces adverse environmental impacts by cutting down paper usage. The Group anticipates that the non-hazardous wastes will be remained at the stable level under the existing policies. During the year ended 31 December 2021, the Group set a target of maintaining or reducing the total non-hazardous wastes in the next 3 years compared to the year ended 31 December 2021. The Group has not otherwise adopted any dedicated recycling programme regarding paper uses. During the year ended 31 December 2021, the detailed summary of the non-hazardous wastes generated by the Group is shown as below:

Types of non-hazardous wastes	Unit	Total	Paper intensity — Unit per employee
Office paper	kg	304	6

#### Use of Resources

Energy saving is important at all times and is the most critical means for the Group to continuously reduce GHG and carbon emissions. The Group has established relevant policies and procedures governing the use of energy and water to achieve higher efficiency and reduce unnecessary use of resources. While the Group will continue to improve energy saving for office, our focus is on existing air-conditioning and computer equipment and its infrastructure.

##### Electricity

Energy conservation will not be effective without the support of employees. The Group's daily operations mainly consume electricity. The Group aims to minimize the environmental impacts that resulted from our operations by identifying and adopting appropriate measures. Energy measures and practices have been developed to show our commitment to improve energy efficiency. The Group has been encouraging employees to establish energy-saving habits in the office and medical centres, such as switching off lights and electronic appliances before leaving the office and medical centres. 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 medical centres also installed automatic lighting devices to ensure that unnecessary lighting devices are switched off within one hour after the general operation hours. The electricity consumed by the Group's subsidiaries in Hong Kong and the Mainland China were strictly monitored. During the year ended 31 December 2021, the Group set a target of maintaining or reducing the total energy consumption in the next 3 years compared to the year ended 31 December 2021.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Environmental (continued)

#### Use of Resources (continued)

##### Electricity (continued)

Energy consumption mainly incurred in the office by the Group during the year ended 31 December 2021 is set out below:

Resource consumption/ discharge description	Unit	Total	Energy intensity — Unit per employee
Purchased electricity (in the office)	kWh	17,242	313

##### Water

Water Consumption 3 m<sup>3</sup> of water was consumed by the Group during the year ended 31 December 2021, with water consumption intensity of 0.05 m<sup>3</sup> of water per employee. Water consumption included only consumption from the medical centres that directly manage their water consumption data. The water supply to our offices are 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 2021 mainly relates to the use of water to ensure personal hygiene and to clean the tools and equipments at the medical centres. The Group encourages employees to reduce water consumption in the offices and the medical centres. 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. Due to operating locations, the Group does not encounter any significant issue in sourcing water that is fit for purpose. During the year ended 31 December 2021, the Group set a target of maintaining or reducing the total water consumption in the next 3 years compared to the year ended 31 December 2021.

##### Packaging Materials

Plastic packaging materials are mainly used by the Group for medical prescriptions in our medical centres. Packaging materials mainly include plastic bags, drug bags, potion bottles, ointment boxes and thermal labels. All medications prescribed must be packaged individually in separate plastic bags. These bags must be labelled properly with relevant patient and drug information for identification purposes. Recycle plastic material is a part of our consideration when we purchase the packaging material. To quantify the amount of packaging materials consumed during the year ended 31 December 2021, this is assumed that the materials purchased are consumed within the year ended 31 December 2021 and that there were no packaging materials in storage prior to the year ended 31 December 2021. Based on the aforementioned methodology, approximately 59.9 kg of plastic was consumed during the year ended 31 December 2021, with plastic packaging materials intensity of 20.0 kg of per medical centres.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Environmental (continued)

#### The Environment and Natural Resources

As a socially responsible enterprise, protecting nature and the environment has become an integral part of the Group's corporate culture. The Group focuses on its business impact on the environment and natural resources and pursues the best practice with the environmental protection. Aside from abiding by the relevant environmental laws and regulations and international standards to properly protect the natural environment, the Group endeavors to find ways to integrate environmental considerations into its business decisions and services it provides, so as to achieve environmental sustainability.

Since its business involves no manufacturing or production activities, the Group does not have a significant impact on the environment and natural resources.

#### Climate Change

The Group mainly operates in Hong Kong and Guangdong Province and the Group considered rainstorm and typhoon as the major threats from the increasing climate change. The Group has developed mitigation measures to reduce the effect raised by extreme weather conditions such as typhoons on our employees, properties and our operation. For instance, before the Black Rainstorm Warning Signals and No. 8 or above Tropical Cyclone Warning Signals incurred, the Group will release employees from work and ensure there is sufficient time for their journeys between living place and office. The Group also conducts inspection on windows during the typhoon and rainstorm season and ensure all inventories will be stocked on the shelves for the protection from the risk of water invasion. During the year ended 31 December 2021, the Group has not been seriously affected by the extreme weather conditions.

### 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). The Group also complies with the relevant law and regulations including but not limited to the Employment Ordinance (Cap. 57), the Employee's Compensation Ordinance (Cap. 282) and the Minimum Wage Ordinance (Cap. 608). 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 2021.

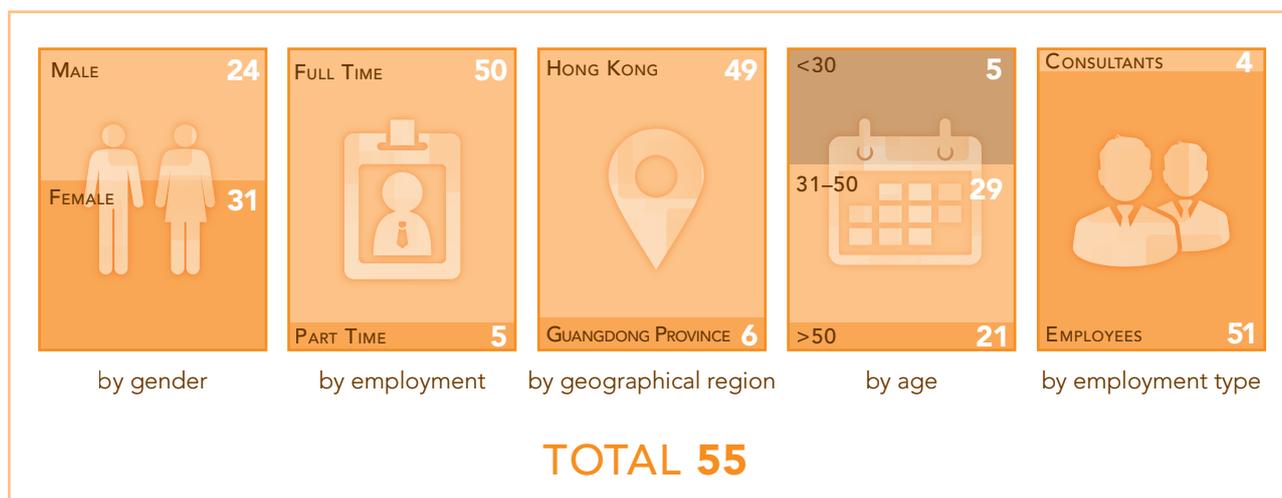
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

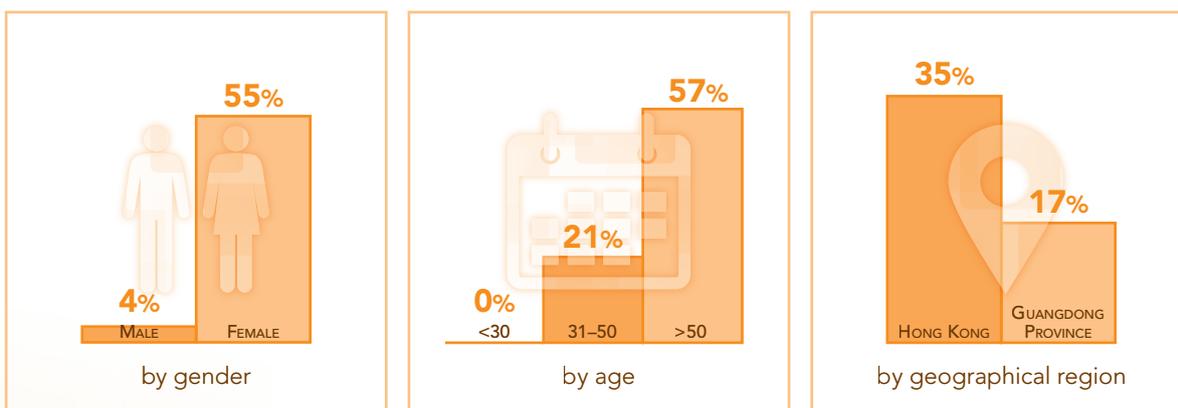
### Social (continued)

#### Employment (continued)

As at 31 December 2021, the Group had a total of 55 workers. All workers are situated in Hong Kong and Guangdong Province. The composition is shown as below:



During the year ended 31 December 2021, there were 18 staff who left the Group and the total turnover rate of employees was approximately 33%. The turnover rate increased by approximately 12% for the year ended 31 December 2021, as we require less service attendants to be stationed at our licensed sites of the photography services business. The turnover rates by gender, age group and geographical region are shown as below:



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Social (continued)

#### Employees' health and safety

The Group values health and safety as of paramount importance and endeavours to provide safe working environment to all employees. The Group has purchased additional cleaning and epidemic prevention equipments and consumables such as surgical face masks, sanitizer etc. Furthermore, the Group has implemented various precautionary measures to prevent and control the spread of the COVID-19 pandemic at the working place, including but not limited to compulsory body temperature checks, mandatory wearing of a surgical face mask, and limit the visitor to access our office. For the medical services business, the Group implemented strict preventive and control measures to protect employees and patients from contamination, infections and accidents. Medical team members must put on personal protective equipment, including protective gown, surgical masks, protective goggles and gloves during the working hours.

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 years ended 31 December 2021, 2020 and 2019, there was no case of work-related fatality and work-related injury, and there was no lost days due to work injury. The Group has had no non-compliance cases regarding violation of relevant laws and regulations on occupational health and safety that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. The relevant laws and regulations include, but are not limited to the "Occupational Safety and Health Ordinance" and the "Employees' Compensation Ordinance".

#### 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Social (continued)

#### Development and training (continued)

In addition, all new employees are required to attend the induction training, so as to improve their understanding on the internal structure of the Group and the requirements and responsibilities of their positions, as well as the Group's values and goals, and adapt to the Group's working environment and culture as soon as possible.

During the year ended 31 December 2021, the Group has provided trainings for a total of 9 employees (representing approximately 16% of our total number of employees).

<b>The percentage of employees trained by gender</b>	
Male	11%
Female	89%
	100%
<b>The percentage of employees trained by functions</b>	
Production	89%
Executive	11%
	100%
<b>The percentage of employees trained by relevant categories</b>	
Healthcare assistant	89%
Senior management	11%
	100%
<b>Average training hours per employee</b>	1
<b>Average training hours for employees in relevant categories</b>	
Healthcare assistant	4
Senior management	2
<b>Average training hours for employees by gender</b>	
Male	1
Female	1

#### Labour standard

All employees are recruited through the human resources department to ensure they fulfil the job requirements underlying their respective positions. The Group prohibits the use of child labour by reviewing the actual age of the interviewee during the recruitment procedures, including the examination of their identity documents and certifications. The Group only carries out the requirements of standard labour contract and does not use any means to unfairly restrict the employment relationship between employee and the Group by, for example, withholding a deposit or identity documents.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Social (continued)

#### Labour standard (continued)

Furthermore, employees of the Group work overtime on a voluntary basis to prevent any breaches of labour standards. Any punishments, management methods and behaviors involving verbal abuse, physical punishment, physical abuse, oppression, sexual harassment against its employees are prohibited for any reason.

The Group also 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. In case any irregularities in ages, identities and/or validities of employment status were found, employment will be terminated immediately and the Group will report the incident to relevant authorities.

During the year ended 31 December 2021, 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. The relevant laws and regulations include, but are not limited to the "Employment of Children Regulations" and the "Employment Ordinance".

### Operating practices

#### Supply Chain Management

The Group recognises the importance of sound supply chain management practices in mitigating environmental and social risks. Although one of our main businesses 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 and formulates policies and guidelines on quality control during the training and employee orientation.

For the photography services business, the Group has four active photo booth suppliers including one in United Kingdom, one in Europe and two in Mainland China. The Group selects the 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 quality, environment and social risk management and safely performance of the photo booth vendors and suppliers.

For the medical services business, the Group has twenty-nine active medical suppliers in Hong Kong. Supply chain management is a crucial component of the medical service quality control. The Group is highly attentive to the reputation and reliability of its pharmaceutical product suppliers. Although the Group does not have specific policy for the management of the environmental and social risks of its supply chain, it evaluates how its suppliers deal with social and environmental issues and ensures that suppliers and its business partners comply with local and international standards on pharmaceutical products. Quality and safety of the products are ensured through certifications and qualifications from its suppliers.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Operating practices (continued)

#### Supply Chain Management (continued)

The Group pays attention to the environmental awareness of its suppliers and promotes sound environmental performance and governance practices amongst its business partners and suppliers. All photo booth and medical suppliers are evaluated carefully and are subjected to regular monitoring and assessment. Through standardised procedures, the Group strives to maintain good business relationships with the photo booth and medical suppliers. The department of maintenance and operation will continually review the environmental impact along its supply chain and explore environmental-friendly options in its operations. The Group aims to cooperate more with companies which share the common sustainability goals together. The Group examines the performance of suppliers regularly by onsite inspection. The Group also conducts suppliers' comprehensive review on a regular basis. The practices are being implemented on all the Group's significant suppliers. Periodic review of suppliers' performance is conducted to ensure that their goods or services are in excellent quality and has maintained consistency.

The Group also focuses on maintaining close contact with suppliers. In daily operations, the Group holds meetings with suppliers on a regular basis to understand their operating condition and exchanges information on industry trends and market information. The Group also maintains close contact with suppliers through telephone and e-mail, to consolidate the cooperative relationship between the two sides on the one hand, and ensure the mutual information exchange between the two sides and inform all possible delays and conflicts in time on the other hand. The effort aims to reduce the potential effect on the quality of the Group's products and services arising from instability of the supply chain.

#### Product responsibility

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 and provide medical services. The management holds regular communications with front-line employees to review and discuss various aspects of operations to ensure services meet the customers' expectations. The Group constantly collects the clients' feedback by mail, email and telephone. To enhance customers' 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, provide corrective actions and carry out remedial and preventive actions in response to the complaints from the clients.

During the year ended 31 December 2021, 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 health and safety advertising, labelling and privacy matters relating to products and services provided, intellectual property right infringement and methods of redress. There was no products sold or shipped subject to recalls for safety and health reasons during the year ended 31 December 2021.

For the medical services business, the Group also complies with specific standards and all applicable laws and regulations regarding pharmaceutical handling and medical advertisement. There was no non-compliance relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and method of redress during the year ended 31 December 2021.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Operating practices (continued)

#### Product responsibility (continued)

Pharmaceuticals are handled with special precautions. The Group has specific standards for pharmaceuticals storage, labelling of packaging and storage compartments. Topical medications and Dangerous Drugs (“DD”) are stored separately from general medications. DD are handled in accordance with the Dangerous Drugs Ordinance, Chapter 134 of the Laws of Hong Kong with clear traceable records during the Reporting Period

The Group values customers' feedback on the products provided and has implemented measures to handle complaints effectively. The Group accept customers' complaints by facsimile, telephone, instant message app, email, letters and face-to-face discussion with our attendants to ensure timely response to customer concerns and the Group's customer service officer handles customers' complaints promptly upon receipt.

We have customer service officers who accept customers' complaints. Our customer service officers handle customers' complaints promptly upon receipt. During the year ended 31 December 2021, we did not experience any customer complaints or cessation of operation of photo booths which had a material adverse effect on our business or results of operations.

A telephone service hot-line is set up in the office for customer enquiries. During the working hours, we attend the service hot-line and handle telephone calls. After the office hours and during the holidays, the hot-line telephone system will be changeover to automatic reply mode and we will follow up the message calls in the next working day.

For our photography services, 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 2021, the Group received a total of 1,666 and 1 complaints about our products and services in photography services and medical services, respectively, all of which have been followed up and handled. 1,630 refunds were made to the customers of our photography services and 1 of our medical services cases has been referred to another consultant.

All information from complaint and investigation result will be recorded and kept in the cabinet with lock. After the investigation, the free re-take photo or refund will be arranged for our photography services if necessary. 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Operating practices (continued)

#### Confidentiality

The Group has routinely handled important, confidential and price-sensitive information related to its customers and intellectual property rights. Securing customers' information is the most essential element for maintaining good corporate governance and building long-term trust with its customers. As a responsible service provider, the Group adheres to the "Personal Data (Privacy) Ordinance" in Hong Kong, the Advertisement Law of the People's Republic of China and the Trademark Law of the People's Republic of China in Mainland China. The Group also expressly reiterates confidentiality obligations in its "Staff Manual". Employees are required to sign a confidentiality agreement and are trained to maintain the confidentiality of customers' information. The Group has engaged a confidential material destruction service provider to collect and handle used papers that could possibly contain customers' confidential information. The Group strives to protect personal privacy and intellectual property rights.

For the medical service business, the employees record the personal data of the patients by the medical management software. Security measures are in place to ensure adequate protection and the confidentiality of all corporate data and information. All employees shall not access any confidential information or personal data of the patients without authorisation.

The employment agreement necessarily involves the employee's access to and understanding of certain trade secrets and confidential information pertaining to the business of the Company and its affiliates. During the term of the employment with the Company and thereafter, the employee will not, directly or indirectly, without the prior written consent of the Company, disclose or use for the benefit of any person, corporation or other entity, or for employee's any and all files, trade secrets or other confidential information concerning the internal affairs of the Employer and its affiliates, including but not limited to information pertaining to its clients, services, products, earnings, finances, operations, methods or other activities' provided, however, that the foregoing shall not apply to information which is of public record or is generally known, disclosed or available to the general public or the industry generally (other than as a result of your breach of this covenant). Further, the employee shall not, directly or indirectly, remove or retain, and upon termination of employment for any reason the employee shall return to the Company, any records, computer disks, computer printouts, business plans or any copies or reproductions thereof, or any information or instruments derived there from, arising out of or relating to the business of the Company and its affiliates or obtained as a result of the employee's employment by the Company.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Operating practices (continued)

#### Intellectual Property Rights

The Group operates photo booths and medical centres with technology function in Hong Kong and the Mainland China. 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.

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

- (a) all intellectual property rights of the Group are to be registered in the applicable jurisdictions;
- (b) the Group will seek written consent from its business or technology partners for the use of their intellectual property rights if and as necessary;
- (c) the Group will regularly monitor its registered intellectual property rights to check if there is any unauthorized use by other parties. Investigation and legal or other actions will be carried out if there is any infringement or suspected infringement;
- (d) to protect the intellectual property rights in relation to the validation technology owned or developed by other third parties installed in the photo booths, the Group is required to enter into confidentiality agreement with these parties to undertake not to disclose or release any confidential information in relation to the validation technology installed in the photo booths; and
- (e) the accounting staff is assigned to conduct regular web-search to check if the validation technology or other similar technology is being adopted in the market.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Operating practices (continued)

#### 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 has established a code of conduct for the employees. All our employees including Directors must adhere to the ethical standards, values and legal and regulatory requirements. We provide all employees with anti-corruption training as part of the on boarding process.

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 2021. There was no legal case regarding corrupt practices brought against the Group or its employees concluded during the year ended 31 December 2021.

#### 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.

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 2021.

In response to the increasing awareness of Hong Kong citizens towards health management, our medical team has produced not less than ten videos in relation to the health and disease information. We have posted the videos on our website and also played them in our medical centres. We hope to utilise the professional knowledge of our specialist to support the public and our patients in this challenging period.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY (continued)

### Special precautionary measures for the COVID-19 pandemic outbreak

As far as the Group's businesses are concerned, the COVID-19 pandemic outbreak has materially and adversely impacted on sales and may pose serious risk on health of the employees and the public. The Group has purchased certain cleaning equipments, surgical face masks, sanitizer and consumables to prevent the virus.

The Group has provided personal protective equipment for all front-line employees such as surgical face mask and face shield to avoid exposure to virus. For the medical services business, the Group implemented strict preventive and control measures to protect employees and patients from contamination and infections. Medical team members must put on personal protective equipment, including protective gown, surgical masks, protective goggles and gloves during the working hours.

We also set-up the non-touching temperature screening kiosk in the office. All employees and visitors are requested to check the body temperature before they access the office area.

The Group also allows its employees to work from home temporarily according to their operational needs to reduce the flow of people and social contacts in the community.

# 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 73 to 122, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 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 of photography services

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 service 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 potential impairment of property, plant and equipment ("PPE") and right-of-use assets ("ROU assets") of the Group

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

#### The Key Audit Matter

The Group sustained a loss for the year ended 31 December 2021 with net operating cash outflow, which management considered to be an indicator of potential impairment that the carrying values of PPE and ROU assets of the Group may not be fully recovered. Consequently, the recoverable amounts of PPE and ROU assets of the Group are estimated by management and compared with their carrying amounts at 31 December 2021.

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.

We identified assessing potential impairment of the carrying values of the PPE and ROU assets of the Group 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 of the Group 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, actions taken to eliminate threats or safeguards applied.

# 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

18 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Revenue</b>	4	<b>20,953</b>	19,979
Cost of services		(15,769)	(18,222)
<b>Gross profit</b>		<b>5,184</b>	1,757
Other income	5(a)	1,436	6,082
Other net gains/(losses)	5(b)	317	(15)
Administrative expenses		(14,043)	(11,813)
<b>Loss from operations</b>		<b>(7,106)</b>	(3,989)
Finance costs	6(a)	(423)	(444)
<b>Loss before taxation</b>	6	<b>(7,529)</b>	(4,433)
Income tax	8(a)	(126)	(45)
<b>Loss for the year</b>		<b>(7,655)</b>	(4,478)
<b>Attributable to:</b>			
Equity shareholders of the company		(7,408)	(4,478)
Non-controlling interest		(247)	–
<b>Loss for the year</b>		<b>(7,655)</b>	(4,478)
<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		(207)	(364)
<b>Total comprehensive income for the year</b>		<b>(7,862)</b>	(4,842)
<b>Attributable to:</b>			
Equity shareholders of the company		(7,615)	(4,478)
Non-controlling interest		(247)	–
<b>Total comprehensive income for the year</b>		<b>(7,862)</b>	(4,478)
<b>Loss per share (Hong Kong cents)</b>			
— Basic and diluted	9	(0.93)	(0.56)

The notes on pages 77 to 122 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	2,891	1,234
Right-of-use assets	11	19,904	8,027
Deposits and prepayments	13	3,701	1,612
		<b>26,496</b>	10,873
<b>Current assets</b>			
Inventories		148	420
Trade receivables	13	810	41
Other receivables, deposits and prepayments	13	1,497	1,404
Tax recoverable	19(a)	95	319
Cash and bank balances	14	30,741	42,700
		<b>33,291</b>	44,884
<b>Current liabilities</b>			
Trade payables	15	263	–
Other payables and accrued charges	16	2,488	2,064
Amount due to non-controlling shareholder	17	485	–
Lease liabilities	18	7,153	6,438
		<b>10,389</b>	8,502
<b>Net current assets</b>			
		<b>22,902</b>	36,382
<b>Total assets less current liabilities</b>			
		<b>49,398</b>	47,255
<b>Non-current liabilities</b>			
Lease liabilities	18	14,236	4,747
Deferred tax liabilities	19(b)	235	109
Provision for reinstatement		385	–
		<b>14,856</b>	4,856
<b>NET ASSETS</b>			
		<b>34,542</b>	42,399
<b>CAPITAL AND RESERVES</b>			
	20		
Share capital		8,000	8,000
Reserves		26,784	34,399
<b>Total equity attributable to equity shareholders of the company</b>			
		<b>34,784</b>	42,399
<b>Non-controlling interests</b>			
		(242)	–
<b>TOTAL EQUITY</b>			
		<b>34,542</b>	42,399

Approved and authorised for issue by the board of directors on 18 March 2022.

\_\_\_\_\_  
Chan Wing Chai, Jamson  
Director

\_\_\_\_\_  
Chan Tien Kay, Timmy  
Director

The notes on pages 77 to 122 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Other reserve	Accumulated losses	Total		
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2020</b>	8,000	57,083	(518)	(5,664)	(7,660)	51,241	-	51,241
Loss for the year	-	-	-	-	(4,478)	(4,478)	-	(4,478)
Other comprehensive income	-	-	(364)	-	-	(364)	-	(364)
Total comprehensive income	-	-	(364)	-	(4,478)	(4,842)	-	(4,842)
Dividend approved in respect of the current year	20(b)	-	(4,000)	-	-	(4,000)	-	(4,000)
<b>At 31 December 2020 and 1 January 2021</b>	<b>8,000</b>	<b>53,083</b>	<b>(882)</b>	<b>(5,664)</b>	<b>(12,138)</b>	<b>42,399</b>	<b>-</b>	<b>42,399</b>
Loss for the year	-	-	-	-	(7,408)	(7,408)	(247)	(7,655)
Other comprehensive income	-	-	(207)	-	-	(207)	-	(207)
Total comprehensive income	-	-	(207)	-	(7,408)	(7,615)	(247)	(7,862)
Capital contribution from non-controlling shareholder	-	-	-	-	-	-	5	5
<b>At 31 December 2021</b>	<b>8,000</b>	<b>53,083</b>	<b>(1,089)</b>	<b>(5,664)</b>	<b>(19,546)</b>	<b>34,784</b>	<b>(242)</b>	<b>34,542</b>

The notes on pages 77 to 122 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Operating activities</b>			
Loss before taxation		(7,529)	(4,433)
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	525	456
Depreciation of right-of-use assets	6(c)	5,638	9,042
Finance costs	6(a)	423	444
Interest income	5(a)	(2)	(134)
COVID-19-related rent concessions received	5(a)	(1,408)	(5,937)
Foreign exchange gain		(142)	(208)
<b>Operating cash flows before changes in working capital</b>		<b>(2,495)</b>	<b>(770)</b>
(Increase)/decrease in trade receivables		(769)	1,145
(Increase)/decrease in other receivables, deposits and prepayments		(886)	12
Decrease/(increase) in inventories		272	(50)
Increase in trade payables		263	–
Increase/(decrease) in other payables and accrued charges		424	(912)
<b>Cash used in operations</b>		<b>(3,191)</b>	<b>(575)</b>
Hong Kong profits tax refunded/(paid)		224	(1,471)
<b>Net cash used in operating activities</b>		<b>(2,967)</b>	<b>(2,046)</b>
<b>Investing activities</b>			
Payment for the purchases of property, plant and equipment		(3,476)	(747)
Interest received		2	134
<b>Net cash used in investing activities</b>		<b>(3,474)</b>	<b>(613)</b>
<b>Financing activities</b>			
Capital element of lease rentals paid	14(b)	(5,591)	(4,410)
Interest element of lease rentals paid	14(b)	(423)	(444)
Dividend paid		–	(4,000)
Increase in amount due to non-controlling shareholder		485	–
Capital contribution from non-controlling shareholder		5	–
<b>Net cash used in financing activities</b>		<b>(5,524)</b>	<b>(8,854)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(11,965)</b>	<b>(11,513)</b>
Cash and cash equivalents at 1 January		42,700	54,159
Effect of foreign exchange rate changes		6	54
<b>Cash and cash equivalents at 31 December</b>		<b>30,741</b>	<b>42,700</b>
<b>Analysis of balances of cash and cash equivalents at 31 December</b>			
Cash and bank balances	14(a)	30,741	42,700

The notes on pages 77 to 122 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(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 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.

## 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 amendments to 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 accounting periods reflected in these financial statements.

### (b) Basis of preparation

The consolidated financial statements 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

(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 Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to HKFRS 16, *COVID-19-Related Rent Concessions beyond 30 June 2021*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except for amendment to HKFRS 16, *COVID-19-Related Rent Concessions beyond 30 June 2021*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared or presented.

#### **Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021 (2021 amendment)**

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 2(f)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Subsidiaries and non-controlling interests

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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 2(f)), are 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%
Medical equipment	10%
Furniture and fixtures	25%
Plant and machinery	20%
Motor vehicles	33.33%
Properties leased for own use	Over the unexpired term of lease

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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

#### As a lessee

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(e) and 2(g)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Leased assets (continued)

#### As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16, *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

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

### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

(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)**

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

(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.

# NOTES TO THE FINANCIAL STATEMENTS

(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**

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

(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

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.

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

(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.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an 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 cash flow statement.

### (k) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

# NOTES TO THE FINANCIAL STATEMENTS

(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 expenses 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

(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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

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

#### (i) Photography service income

Revenue from provision of photography service 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) Medical service income

Revenue from provision of medical service is recognised when the services are rendered to the customers.

#### (iii) Interest income

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

#### (iv) Government grant

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.
- (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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 top management 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.

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.

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

### 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 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 provision of 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 (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 \$'000	2020 \$'000
<b>Revenue from contracts with customers within the scope of HKFRS15</b>		
Disaggregation by major service lines		
— Photography service income	20,311	19,979
— Medical service income	642	—
	<b>20,953</b>	<b>19,979</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (continued)

### (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		Photography services		
	Hong Kong	Mainland	Hong Kong	Consolidated	Hong Kong	China	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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)

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

#### Segment assets

	2021				2020		
	Photography services		Medical services		Photography services		
	Hong Kong	Mainland	Hong Kong	Consolidated	Hong Kong	Mainland	Consolidated
	\$'000	China \$'000	\$'000	\$'000	\$'000	\$'000	\$'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 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Hong Kong (place of domicile)	19,616	18,513	24,024	9,130
Mainland China	1,337	1,466	66	131
	20,953	19,979	24,090	9,261

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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 5 OTHER INCOME AND OTHER LOSSES

### (a) Other income

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

### (b) Other net gains/(losses)

	2021 \$'000	2020 \$'000
Net exchange gains/(losses)	317	(15)

## 6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

### (a) Finance costs

	2021 \$'000	2020 \$'000
Interest on lease liabilities (note 14(b))	423	444

### (b) Staff costs

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 LOSS BEFORE TAXATION (continued)

### (c) Other items

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

<sup>#</sup> Cost of services includes \$13,517,000 (2020: \$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 6(b) for each of these types of expenses.

<sup>\*</sup> In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund amounted to \$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.

# NOTES TO THE FINANCIAL STATEMENTS

(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	Discretionary bonuses	Retirement scheme contributions	2021 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Executive directors</b>					
Mr. Chan Tien Kay, Timmy (ii)	1,000	216	–	18	1,234
Mr. Chan Wing Chai, Jamson (ii)	200	965	–	36	1,201
Dr. Chan Wing Lok, Brian (ii)	575	–	–	6	581
<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>2,235</b>	<b>1,181</b>	<b>–</b>	<b>60</b>	<b>3,476</b>

# NOTES TO THE FINANCIAL STATEMENTS

(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	Discretionary bonuses	Retirement scheme contributions	2020 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Executive directors</b>					
Mr. Chan Tien Kay, Timmy (ii)	1,000	216	102	18	1,336
Mr. Chan Wing Chai, Jamson (ii)	200	973	97	21	1,291
Mr. Wu Siu Tong (ii & iv)	26	–	–	–	26
<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
	1,686	1,189	199	39	3,113

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 2021 and 2020. No director or the five highest paid individuals 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 Company has adopted a share option scheme on 8 February 2018. There were no options granted during the years ended 31 December 2021 and 2020.
- (iv) The executive director, Mr. Wu Sin Tong, was resigned as the director of the Company on 20 March 2020.

# NOTES TO THE FINANCIAL STATEMENTS

(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, three (2020: two) are directors whose emoluments are disclosed in note 7(a). The aggregate of the emoluments in respect of the remaining two (2020: three) individuals are as follows:

	2021 \$'000	2020 \$'000
Salaries and other emoluments	1,167	1,551
Discretionary bonuses	30	46
Retirement scheme contributions	36	54
	<b>1,233</b>	1,651

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

	2021 Number of individuals	2020 Number of individuals
Nil-\$1,000,000	2	3

### (c) Emoluments of senior management

Other than the emoluments of the directors and highest paid individuals disclosed in notes 7(a) and 7(b), the emoluments of the remaining senior management which is not covered in 7(a) and 7(b) fell within the following band:

	2021 Number of individuals	2020 Number of individuals
Nil-\$1,000,000	2	1

# NOTES TO THE FINANCIAL STATEMENTS

(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:

	2021 \$'000	2020 \$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	–	–
Over-provision in respect of prior years	–	(24)
	–	(24)
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 19(b))	126	69
	<b>126</b>	<b>45</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 8 INCOME TAX (continued)

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

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

## 9 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 \$7,408,000 (2020: \$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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 10 PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

	Computer software	Computer equipment	Office equipment	Medical equipment	Furniture and fixtures	Plant and machinery	Motor vehicles	Leasehold improvement	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>									
At 1 January 2020	1,217	182	183	-	747	18,369	1,411	-	22,109
Exchange adjustments	16	-	-	-	-	732	-	-	748
Additions	80	-	-	-	-	767	-	-	847
Written back on disposal	-	-	-	-	-	(1,157)	-	-	(1,157)
At 31 December 2020	1,313	182	183	-	747	18,711	1,411	-	22,547
At 1 January 2021	1,313	182	183	-	747	18,711	1,411	-	22,547
Exchange adjustments	9	-	-	-	-	303	-	-	312
Additions	202	224	-	108	609	355	-	683	2,181
At 31 December 2021	<b>1,524</b>	<b>406</b>	<b>183</b>	<b>108</b>	<b>1,356</b>	<b>19,369</b>	<b>1,411</b>	<b>683</b>	<b>25,040</b>
<b>Accumulated depreciation</b>									
At 1 January 2020	1,216	179	166	-	718	17,576	1,411	-	21,266
Exchange adjustments	16	-	-	-	-	732	-	-	748
Charge for the year	3	2	5	-	27	419	-	-	456
Impairment loss	-	-	-	-	-	(1,157)	-	-	(1,157)
At 31 December 2020	1,235	181	171	-	745	17,570	1,411	-	21,313
At 1 January 2021	1,235	181	171	-	745	17,570	1,411	-	21,313
Exchange adjustments	9	-	-	-	-	302	-	-	311
Charge for the year	37	9	4	2	31	410	-	32	525
At 31 December 2021	<b>1,281</b>	<b>190</b>	<b>175</b>	<b>2</b>	<b>776</b>	<b>18,282</b>	<b>1,411</b>	<b>32</b>	<b>22,149</b>
<b>Net book value:</b>									
At 31 December 2021	<b>243</b>	<b>216</b>	<b>8</b>	<b>106</b>	<b>580</b>	<b>1,087</b>	<b>-</b>	<b>651</b>	<b>2,891</b>
At 31 December 2020	78	1	12	-	2	1,141	-	-	1,234

### (b) Impairment loss

During the years ended 31 December 2021 and 2020, 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 2020 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 both years ended 31 December 2021 and 2020.

The recoverable amounts are 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% (2020: 12%).

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 11 RIGHT-OF-USE ASSETS

	Properties leased for own use
	\$'000
<b>Cost:</b>	
At 1 January 2020	22,004
Exchange adjustments	299
Additions	7,358
Disposal	(673)
At 31 December 2020	28,988
Exchange adjustments	183
Additions- from entering into new leases	14,223
Additions- from lease modification during the year	3,288
Disposal	(10,007)
At 31 December 2021	36,675
<b>Accumulated depreciation:</b>	
At 1 January 2020	12,299
Exchange adjustments	293
Charge for the year	9,042
Written back on disposal	(673)
At 31 December 2020	20,961
Exchange adjustments	179
Charge for the year	5,638
Written back on disposal	(10,007)
At 31 December 2021	16,771
<b>Net book value</b>	
At 31 December 2021	19,904
At 31 December 2020	8,027

# NOTES TO THE FINANCIAL STATEMENTS

(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:

	2021 \$'000	2020 \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	5,638	9,042
Interest on lease liabilities (note 6(a))	423	444
Expense relating to short-term leases (note 6(c))	280	279
Variable lease payments not included in the measurement of lease liabilities (note 6(c))	6,553	7,176
COVID-19-related rent concession received (Note)	(1,408)	(5,937)

Note: During 2021 and 2020, the Group received rent concession in form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. As disclosed in note 2(c), the Group has early adopted the Amendment to HKFRS 16 *Lease, COVID-19-related rent concessions beyond 30 June 2021*, and applies the practical expedient to all eligible rent concessions received by the Group.

During the year ended 31 December 2021, additions to right-of-use assets were \$17,511,000 (2020: \$7,358,000). This amount primarily related to the capitalised lease payments payable under new or renewed tenancy agreement.

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 18 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### Properties leased for own use

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

Some leases related to medical centres include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted) 2021 \$'000	Potential future lease payments under extension options not included in lease liabilities (undiscounted) 2021 \$'000
Medical centres — Hong Kong	2,327	1,531

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### Properties leased for own use (continued)

During the year ended 31 December 2021, 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:

	2021			
	Fixed payments	Variable payments	COVID-19-related rent concessions	Total payments
	\$'000	\$'000	\$'000	\$'000
Sites to install automatic ID photo booths	<b>6,814</b>	<b>6,553</b>	<b>(1,347)</b>	<b>12,020</b>

	2020			
	Fixed payments	Variable payments	COVID-19-related rent concessions	Total payments
	\$'000	\$'000	\$'000	\$'000
Sites to install automatic ID photo booths	10,791	7,176	(5,937)	12,030

# NOTES TO THE FINANCIAL STATEMENTS

(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 Healthcare Management Services (BVI) 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") (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
Max Sight Healthcare Management Limited	Hong Kong	\$10,000	–	100%	Investment holding
Max Medical Services Limited	Hong Kong	\$10,000	–	100%	Provision of medical services
Wealthy Dragon Development Limited	Hong Kong	\$10,000	–	51%	Provision of medical services

Remarks:

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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 \$'000	2020 \$'000
0–30 days	651	41
31–60 days	159	–
	<b>810</b>	41

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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 CASH AND BANK BALANCES

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

	2021 \$'000	2020 \$'000
Cash at bank and on hand and cash and cash equivalents in the consolidated statement of cash flows	<b>30,741</b>	42,700

### (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 18) \$'000
<b>At 1 January 2021</b>	11,185
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	(5,591)
Interest element of lease rentals paid	(423)
Total changes from financing cash flows	(6,014)
<b>Other changes:</b>	
Increase in lease liabilities from entering into new leases	13,838
Increase in lease liabilities from lease modification during the year	3,288
COVID-19 related rent concession received (note 11)	(1,408)
Interest expenses (note 6(a))	423
Exchange adjustments	77
Total other changes	16,218
<b>At 31 December 2021</b>	21,389

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 CASH AND BANK BALANCES (continued)

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

	Lease liabilities (Note 18)
	\$'000
<b>At 1 January 2020</b>	13,991
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	(4,410)
Interest element of lease rentals paid	(444)
Total changes from financing cash flows	(4,854)
<b>Other changes:</b>	
Increase in lease liabilities during the year	7,358
COVID-19-related rent concession received (note 11)	(5,937)
Interest expenses (note 6(a))	444
Exchange adjustments	183
Total other changes	2,048
<b>At 31 December 2020</b>	11,185

### (c) Total cash outflow for leases

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

	2021 \$'000	2020 \$'000
Within operating cash flows	6,833	7,455
Within financing cash flows	6,014	4,854
	<b>12,847</b>	12,309

These amounts relate to the following:

	2021 \$'000	2020 \$'000
Lease rental paid	12,847	12,309

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 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 \$'000	2020 \$'000
0–30 days	263	–

## 16 OTHER PAYABLES AND ACCRUED CHARGES

	2021 \$'000	2020 \$'000
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
	<b>2,488</b>	2,064

## 17 AMOUNT DUE TO NON-CONTROLLING SHAREHOLDER

The amount due to non-controlling shareholder is unsecured, interest-free and repayable on demand.

## 18 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous year.

	31 December 2021		31 December 2020	
	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000
Within 1 year	7,153	7,257	6,438	6,566
After 1 year but within 2 years	5,915	6,123	2,869	3,065
After 2 years but within 5 years	7,114	7,472	1,878	2,120
More than 5 years	1,207	1,298	–	–
	<b>14,236</b>	<b>14,893</b>	4,747	5,185
	<b>21,389</b>	<b>22,150</b>	11,185	11,751
Less: total future interest expenses		(761)		(566)
Present value of lease liabilities		<b>21,389</b>		11,185

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

	2021 \$'000	2020 \$'000
Provision for Hong Kong Profits Tax for the year	–	–
Balance of Profits Tax provision relating to prior years	(95)	(319)
	<b>(95)</b>	<b>(319)</b>
<b>Representing:</b>		
Tax recoverable	<b>(95)</b>	<b>(319)</b>

### (b) Deferred 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 2020	64	(24)	40
Credited to profit or loss	45	24	69
At 31 December 2020 and 1 January 2021	<b>109</b>	–	<b>109</b>
Charged to profit or loss	<b>126</b>	–	<b>126</b>
At 31 December 2021	<b>235</b>	–	<b>235</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

### (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 arising from operation in Hong Kong of HK\$12,942,000 (2020: HK\$5,527,000) and operation in Mainland China of \$9,985,000 (2020: \$6,382,000). The Group has not recognised temporary difference arising from operation in Mainland China of \$11,663,000 (2020: \$11,663,000).

The tax losses from the operations in Hong Kong do not expire under current tax legislation. 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 and the expired year of tax losses are set out below:

	2021 \$'000	2020 \$'000
Year 2023	995	995
Year 2024	2,343	2,343
Year 2025	3,044	3,044
Year 2026	3,603	–
	<b>9,985</b>	6,382

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 20 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 2020		8,000	57,083	(37,040)	28,043
Dividend approved in respect of the current year	20(b)	–	(4,000)	–	(4,000)
Loss for the year		–	–	(884)	(884)
At 31 December 2020		8,000	53,083	(37,924)	23,159
At 1 January 2021		<b>8,000</b>	<b>53,083</b>	<b>(37,924)</b>	<b>23,159</b>
Loss for the year		–	–	(802)	(802)
At 31 December 2021		<b>8,000</b>	<b>53,083</b>	<b>(38,726)</b>	<b>22,357</b>

### (b) Dividends

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

	2021 \$'000	2020 \$'000
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)	–	–
	–	4,000

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 20 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (c) Share capital

	2021		2020	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
<b>Authorised — ordinary share of \$0.01 each:</b>				
At 1 January and 31 December	5,000,000,000	50,000	5,000,000,000	50,000
	2021		2020	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January and 31 December	800,000,000	8,000	800,000,000	8,000

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 of 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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 20 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (e) Distributability of reserves

As 31 December 2021, 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 \$14,357,000 (2020: \$15,159,000). The directors did not propose any final dividend after the end of the reporting period (2020: Nil).

### (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 18, amount due to non-controlling shareholder and equity of the Group, comprising share capital, share premium, other reserves 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.

## 21 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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 21 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.

	2021					Carrying amount at 31 December
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables	263	–	–	–	263	263
Other payables and accrued charges	2,488	–	–	–	2,488	2,488
Amount due to non-controlling shareholder	485	–	–	–	485	485
Lease liabilities	7,257	6,123	7,472	1,298	22,150	21,389
	10,493	6,123	7,472	1,298	25,386	24,625

	2020					Carrying amount at 31 December
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other payables and accrued charges	2,064	–	–	–	2,064	2,064
Lease liabilities	6,566	3,065	2,120	–	11,751	11,185
	8,630	3,065	2,120	–	13,815	13,249

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 21 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 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.

	2021		2020	
	Effective interest rate	\$'000	Effective interest rate	\$'000
<b>Fixed rate borrowings:</b>				
Lease liabilities	2.55%	21,389	3.78%	11,185

### (d) Currency risk

The Group owns assets and conducts its business primarily in Hong Kong and 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 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.

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\$)			
	2021		2020	
	RMB \$'000	USD \$'000	RMB \$'000	USD \$'000
Cash and bank balances	456	23,394	374	31,207

### (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 2021 and 2020.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 22 COMMITMENTS

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

	2021 \$'000	2020 \$'000
Contracted for	631	–

## 23 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:

	2021 \$'000	2020 \$'000
Short-term employee benefits	4,588	4,243
Post-employment benefits	112	91
	<b>4,700</b>	<b>4,334</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:

	2021 \$'000	2020 \$'000
(i) Various subsidiaries of Photo-Me International Plc.		
Purchase of consumables	–	478
Purchase of spare parts	5	8
(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	941	941
(iii) Lease payment paid to a company owned by Mr. Cheung Kam Ting	37	–
(iv) Salaries and other benefits paid to Ms. Au-Yeung Ting Ho	126	126

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 24 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2021 \$'000	2020 \$'000
<b>Non-current assets</b>			
Investments in subsidiaries	(i)	–	–
<b>Current assets</b>			
Amount due from subsidiaries		21,490	22,140
Prepayments		333	286
Cash and bank balances		534	733
		<b>22,357</b>	23,159
<b>Net current assets</b>			
		<b>22,357</b>	23,159
<b>NET ASSETS</b>			
		<b>22,357</b>	23,159
<b>CAPITAL AND RESERVES</b>			
Share capital	20 20(c)	8,000	8,000
Reserves		14,357	15,159
<b>TOTAL EQUITY</b>			
		<b>22,357</b>	23,159

Note:

(i) The balance represents HK\$1 and nil as at 31 December 2021 and 2020 respectively.

## 25 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, 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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 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>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts — Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8, Definition of accounting estimates	1 January 2023
Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

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				
	2021	2020	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	20,953	19,979	59,313	54,733	46,491
(Loss)/profit before taxation	(7,529)	(4,433)	(3,420)	3,283	243
Income tax expense	(126)	(45)	(1,526)	(1,503)	(2,076)
(Loss)/profit for the year	(7,655)	(4,478)	(4,946)	1,780	(1,833)

## ASSETS AND LIABILITIES

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	59,787	55,757	70,346	63,654	25,525
Total liabilities	(25,245)	(13,358)	(19,105)	(3,353)	(17,348)
	34,542	42,399	51,241	60,301	8,177