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PRIME INTELLIGENCE SOLUTIONS GROUP LIMITED

匯安智能科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8379)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

This announcement, for which the directors (the “Directors”) of Prime Intelligence Solutions Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 announcement 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 announcement misleading.

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The board of Directors (the “**Board**”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2018, together with the comparative figures for the preceding year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	<i>Note</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Revenue	6	71,063	63,522
Cost of sales		<u>(29,016)</u>	<u>(25,505)</u>
Gross profit		42,047	38,017
Other income	7	230	94
Selling and distribution costs		(5,121)	(4,826)
Administrative expenses		<u>(29,645)</u>	<u>(16,715)</u>
Profit from operation		7,511	16,570
Finance costs	8	<u>(75)</u>	<u>(142)</u>
Profit before tax	9	7,436	16,428
Income tax expense	10	<u>(3,222)</u>	<u>(2,904)</u>
Profit for the year		4,214	13,524
Other comprehensive income for the year, net of tax:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>690</u>	<u>(400)</u>
Total comprehensive income for the year attributable to the owners of the Company		<u>4,904</u>	<u>13,124</u>
Earnings per share (cents)			
— Basic and diluted	12	<u>0.67</u>	<u>2.25</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,036	937
Intangible assets		168	216
		1,204	1,153
Current assets			
Inventories		18,919	17,120
Trade receivables	13	12,354	10,742
Other receivables, prepayments and deposits		2,444	5,638
Bank and cash balances		76,837	12,218
		110,554	45,718
Current liabilities			
Trade payables	14	2,377	2,132
Other payables, deposits received and accrued expenses		5,663	3,903
Deferred income		3,595	4,447
Bank borrowings		–	1,450
Finance lease payables		–	44
Current tax liabilities		1,174	442
		12,809	12,418
Net current assets		97,745	33,300
Total assets less current liabilities		98,949	34,453
Non-current liabilities			
Deferred income		134	224
NET ASSETS		98,815	34,229
Capital and reserves			
Share capital	15	8,000	—*
Reserves		90,815	34,229
TOTAL EQUITY		98,815	34,229

* Represents amount less than HK\$1,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to the owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Legal reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profits HK\$'000	Total reserve HK\$'000	
At 1 April 2016	—*	—	17,079	12	(288)	12,302	29,105	29,105
Dividend paid	—	—	—	—	—	(8,000)	(8,000)	(8,000)
Total comprehensive income for the year	—	—	—	—	(400)	13,524	13,124	13,124
Changes in equity for the year	—	—	—	—	(400)	5,524	5,124	5,124
At 31 March 2017 and 1 April 2017	—*	—	17,079	12	(688)	17,826	34,229	34,229
Share capitalisation (note 15(b))	6,000	(6,000)	—	—	—	—	(6,000)	—
Issue of new shares under the share offer (note 15(c))	2,000	68,000	—	—	—	—	68,000	70,000
Cost of issuing new shares under the share offer	—	(10,318)	—	—	—	—	(10,318)	(10,318)
Total comprehensive income for the year	—	—	—	—	690	4,214	4,904	4,904
Changes in equity for the year	8,000	51,682	—	—	690	4,214	56,586	64,586
At 31 March 2018	8,000	51,682	17,079	12	2	22,040	90,815	98,815

* Represents amount less than HK\$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempt company with limited liability under the Companies Law (as revised) of the Cayman Islands on 16 October 2015. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. Subsequent to end of reporting period, the address of its principal place of business has been changed from Unit 1, 13/F, Asia Trade Centre, 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong to Unit A, 6/F, TLP132, Nos. 132–134 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 14 February 2018 (the "**Listing**").

The Company is an investment holding company. The principal activities of its subsidiaries are sales of biometrics identification devices and other devices and accessories and provision of auxiliary and other services.

2. GROUP REORGANISATION AND BASIS OF PREPARATION

Pursuant to the group reorganisation as more fully explained in "History, Development and Reorganisation — Reorganisation" in the prospectus dated 30 January 2018 issued by the Company (the "**Group Reorganisation**"), the Company became the holding company of the companies now comprising the Group on 10 November 2015. As the Group Reorganisation involved only the insertion of new holding companies at the top of the existing group and did not result in any change in economic substance, the consolidated financial statements have been prepared as a continuation of the existing group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which in collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2017. Among these, the following new and revised HKFRSs is relevant to the Group.

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided this information in the consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 September 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 March 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at amortised costs, fair value through profit or loss and fair value through other comprehensive income. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Based on the preliminary assessment, the Group does not expect the adoption of HKFRS 9 will have significant impact on the classification and measurement of its financial assets. The Group expects that its financial assets currently measured at amortised cost will continue with their classification and measurements upon the adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets.

Based on historical experience of the Group, the default rate of the outstanding balances with customers is low. Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group's future consolidated financial statements. The above assessments were made based on an analysis of the Group's financial assets as at 31 March 2018 on the basis of the facts and circumstances that existed at that date.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

Currently, revenue arising from the provision of auxiliary and other services is recognised over time.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group is currently evaluating the impact of adoption of HKFRS 15. Based on the preliminary assessment that the Group recognises revenue from provision of auxiliary and other services when services are rendered, which is generally consistent with the requirement under HKFRS 15, thus the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operation and financial position.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or finance leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The Group's leases of offices and staff quarters are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in the consolidated financial statements, the Group's future minimum lease payments under non-cancellable operating leases for its offices and staff quarters amounted to a total of approximately HK\$3,503,000 as at 31 March 2018. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

5. SEGMENT INFORMATION

The Group has two reportable segments as follows:

- Sales of biometrics identification devices, security products and other accessories.
- Provision of auxiliary and other services includes (i) maintenance, installation and solution services; and (ii) software licensing.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the consolidated financial statements. Segment profits or losses do not include other income, finance costs, unallocated costs, which comprise selling and distribution expenses, corporate administrative and other expenses, and income tax expense.

Segment assets and liabilities are not presented in the consolidated financial statements as they are not regularly reviewed by the Group's directors.

(a) Operating segment of the Group

Information about reportable segment profit or loss:

	Sales of biometrics identification devices, security products and other accessories <i>HK\$'000</i>	Provision of auxiliary and other services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2018			
Revenue from external customers	47,912	23,151	71,063
Segment profit	26,495	15,552	42,047
<i>Other segment information:</i>			
Depreciation	—	61	61
Year ended 31 March 2017			
Revenue from external customers	40,825	22,697	63,522
Segment profit	21,147	16,870	38,017
<i>Other segment information:</i>			
Depreciation	—	63	63

Reconciliations of reportable segment and profit or loss:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit or loss:		
Total profit of reportable segments	42,047	38,017
Other income	230	94
Selling and distribution costs	(5,121)	(4,826)
Corporate administrative and other expenses	(29,645)	(16,715)
Finance costs	(75)	(142)
Income tax expense	(3,222)	(2,904)
	<u>4,214</u>	<u>13,524</u>
Consolidated profit for the year	<u>4,214</u>	<u>13,524</u>

(b) Geographical information

Information about the Group's non-current assets based on the geographical location is presented as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	1,198	1,145
PRC	6	8
	<u>1,204</u>	<u>1,153</u>
Consolidated total	<u>1,204</u>	<u>1,153</u>

Non-current assets include property, plant and equipment and intangible assets.

Information about the Group's revenue from external customers presented based on the geographical location where the Group operates is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	56,930	49,625
PRC	7,405	6,833
Macau	6,728	7,064
	<u>71,063</u>	<u>63,522</u>
Consolidated total	<u>71,063</u>	<u>63,522</u>

(c) Information about major customers

During the year, no transaction with a single customer amounts to 10% or more of the Group's revenue (2017: Nil). Accordingly, no major customer is presented.

6. REVENUE

Revenue represents the invoiced values of goods sold and service rendered, after allowances for returns and discounts. An analysis of the Group's revenue for the year is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Sales of biometrics identification devices, security products and other accessories	47,912	40,825
Provision of auxiliary and other services	23,151	22,697
	<u>71,063</u>	<u>63,522</u>

7. OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest income	4	3
Gain on disposals of property, plant and equipment	212	67
Others	14	24
	<u>230</u>	<u>94</u>

8. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on import/export loans	75	138
Finance lease charges	–	4
	<u>75</u>	<u>142</u>

9. PROFIT BEFORE TAX

The Group's profit before tax is stated after charging/(crediting) the following:

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Amortisation of intangible assets		48	27
Depreciation of property, plant and equipment	(a)	589	418
Staff costs (including directors' emoluments)	(b)		
— Salaries, bonus, allowances and other benefits in kind	(c)	18,201	15,428
— Commission		1,183	698
— Retirement benefits scheme contributions		1,074	894
		20,458	17,020
Write off of property, plant and equipment		—	2
Gain on disposals of property, plant and equipment		(212)	(67)
Cost of inventories sold		22,613	20,683
Foreign exchange losses, net		121	18
Listing expenses		12,238	1,810
Operating lease charges in respect of premises	(c)	1,787	1,716
Auditors' remuneration		300	504
(Reversal of allowance)/allowance for inventories		(99)	316

Notes:

- (a) Depreciation of property, plant and equipment of approximately HK\$61,000 (2017: HK\$63,000) for the year ended 31 March 2018 is included in cost of sales.
- (b) Included in staff cost:
- (i) approximately HK\$4,311,000 for the year ended 31 March 2018 (2017: HK\$3,799,000) is included in cost of sales; and
- (ii) approximately HK\$78,000 for the year ended 31 March 2017 is capitalised as intangible assets.
- (c) Included in operating lease charges in respect of premises of approximately HK\$360,000 for the year ended 31 March 2018 (2017: HK\$360,000) is included in salaries, bonus, allowances and other benefits in kind of staff costs.

10. INCOME TAX EXPENSE

	2018 HK\$'000	2017 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	3,138	2,932
Over-provision in prior years	(71)	(60)
	<u>3,067</u>	<u>2,872</u>
Macao Complementary Tax		
Provision for the year	155	54
Over-provision in prior years	—	(22)
	<u>155</u>	<u>32</u>
Total tax charge for the year	<u>3,222</u>	<u>2,904</u>

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) during the year on the estimated assessable profits arising in or derived from Hong Kong.

For the Group's subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% (2017: 25%) during the year. No PRC Enterprise Income Tax has been provided as the Group's PRC subsidiary did not generate any assessable profits during the years ended 31 March 2018 and 2017.

For the Group's subsidiary established and operated in Macau is subject to Macao Complementary Tax, under which taxable income of up to MOP600,000 is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% for the years ended 31 March 2018 and 2017.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate of the Group is as follows:

	2018 HK\$'000	2017 <i>HK\$'000</i>
Profit before tax	<u>7,436</u>	<u>16,428</u>
Tax at the domestic tax rate of 16.5% (2017: 16.5%)	1,227	2,711
Tax effect of income that is not taxable	(96)	(107)
Tax effect of expenses that are not deductible	2,240	411
Tax effect of temporary differences not recognised	(16)	(45)
Tax effect of utilisation of tax losses not previously recognised	(32)	—
Tax effect of tax losses not recognised	42	34
Over-provision in prior years	(71)	(82)
Effect of different tax rates of subsidiaries	<u>(72)</u>	<u>(18)</u>
Income tax expense for the year	<u>3,222</u>	<u>2,904</u>

11. DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Interim dividend of HK\$4,000 per ordinary share paid	<u>–</u>	<u>8,000</u>

The Board does not recommend payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the following:

	2018 HK\$'000	2017 HK\$'000
<i>Earnings</i>		
Earnings for the purpose of calculating basic earnings per share	<u>4,214</u>	<u>13,524</u>
	2018	2017
<i>Number of shares</i>		
Issued ordinary shares at the beginning of year (note)	600,000,000	600,000,000
Effect of issue of new shares under the share offer (note 15(c))	<u>25,205,479</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>625,205,479</u>	<u>600,000,000</u>

Note: Issued ordinary shares of the Company at the beginning of year is on the assumption that 600,000,000 ordinary shares, being the number of shares in issue immediately after the completion of share capitalisation as detailed in note 15(b) of this results announcement, deemed to have been issued since 1 April 2016.

(b) Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares outstanding during the years ended 31 March 2018 and 2017.

13. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
From third parties	12,342	10,629
From related parties	12	113
	<u>12,354</u>	<u>10,742</u>

Analysis of trade receivables due from related parties:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Long Yield Company Limited (“Long Yield”)	<u>12</u>	<u>113</u>

Long Yield, a company incorporated in Hong Kong, in which Mr. Yuen Wing Hong, father of Mr. Yuen Kwok Wai, Tony and Ms. Yuen Mei Ling, Pauline (“Ms. Pauline Yuen”) and Mr. Li Tat, David, spouse of Ms. Pauline Yuen, are directors.

The Group’s trading terms with customers are mainly on credit. The credit period granted to the customers generally range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

An ageing analysis of the Group’s trade receivables, based on the invoice date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0–90 days	9,518	6,988
91–180 days	2,021	3,547
181–365 days	667	119
Over 365 days	148	88
	<u>12,354</u>	<u>10,742</u>

As of 31 March 2018, trade receivables of approximately HK\$5,608,000 (2017: HK\$6,766,000) were past due but not impaired. These trade receivables related to customers for whom there was no recent history of default. The ageing analysis of these trade receivables, based on due date, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 90 days	4,190	3,492
90–180 days	855	3,070
Over 180 days	563	204
	<u>5,608</u>	<u>6,766</u>

The carrying amounts of the Group's trade receivables at the end of reporting period are denominated in the following currencies:

	2018 HK\$'000	2017 <i>HK\$'000</i>
HK\$	11,420	10,246
RMB	356	240
MOP	578	245
US\$	–	11
	12,354	10,742

14. TRADE PAYABLES

An ageing analysis of the Group's trade payables, based on the invoice date is as follows:

	2018 HK\$'000	2017 <i>HK\$'000</i>
0–30 days	2,226	1,540
31–60 days	104	106
Over 60 days	47	486
	2,377	2,132

The carrying amounts of the Group's trade payables at the end of reporting period are denominated in the following currencies:

	2018 HK\$'000	2017 <i>HK\$'000</i>
HK\$	1,547	508
RMB	215	167
US\$	615	1,451
EURO	–	6
	2,377	2,132

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2016, 31 March 2017 and 1 April 2017	38,000,000	380
Increase in authorised share capital	(a) 4,962,000,000	49,620
At 31 March 2018	5,000,000,000	50,000

	<i>Note</i>	Number of shares	Amount HK\$'000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
At 1 April 2016, 31 March 2017 and 1 April 2017		2,000	—*
Share capitalisation	(b)	599,998,000	6,000
Issue of new shares under the share offer	(c)	200,000,000	2,000
At 31 March 2018		800,000,000	8,000

* Represent amount less than HK\$1,000

Notes:

- (a) On 18 January 2018, written resolutions of the shareholders of the Company were passed to approve the increase in authorised share capital of the Company from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 shares of HK\$0.01 each.
- (b) Pursuant to written resolutions passed by shareholders of the Company on 18 January 2018, conditional on the share premium account of the Company being credited as a result of the Listing; the directors of the Company were authorised to capitalise the sum of HK\$5,699,980 standing to the credit of the share premium account of the Company by issuing 599,998,000 shares of HK\$0.01 each, credited as fully paid at par.
- (c) On 14 February 2018, the Company issued 200,000,000 new shares of HK\$0.01 each at a price of HK\$0.35 in relation to the Listing, the premium on the issue of shares, amounting to approximately HK\$68,000,000 was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The capital structure of the Group comprises all components of shareholders' equity.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit from the date of the Listing. As of 31 March 2018, 25% of the shares were in public hands.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a provider of biometrics identification solutions in Hong Kong, Macau and the PRC. The Group derives revenue from the following business activities: (i) sales of products which include biometrics identification devices, and other devices and accessories; and (ii) provision of auxiliary and other services. The Group's biometrics identification devices have one or more of the following functions: (i) face identification; (ii) fingerprint identification; (iii) finger vein identification (iv) hand geometry identification; and (v) iris identification. The revenue of the Group for the year ended 31 March 2018 was approximately HK\$71.1 million, representing an increase of approximately 11.9% from approximately HK\$63.5 million for the year ended 31 March 2017. The increase in revenue was mainly contributed by an increase in the sales of handheld devices as a result of the implementation of the Construction Workers Registration System ("CWRS") in Hong Kong.

Revenue represents the invoiced values of goods sold and services rendered, after allowances for returns and discounts during the reporting periods.

	For the year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Sales of products		
Biometrics identification devices	27,857	24,324
Other devices and accessories	20,055	16,501
	47,912	40,825
Provision of auxiliary and other services		
Service income	17,721	19,009
Software licensing income	5,297	3,234
Others	133	454
	23,151	22,697
Total	71,063	63,522

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was cost of inventories sold. The Group's cost of inventories sold increased by approximately 9.2% to approximately HK\$22.6 million for the year ended 31 March 2018 (2017: approximately HK\$20.7 million). The gross profit increased from approximately HK\$38.0 million for the year ended 31 March 2017 to approximately HK\$42.0 million for the year ended 31 March 2018. The gross profit margin remained stable as compared with the last corresponding period. During the years ended 31 March 2017 and 2018, the gross profit margins were approximately 59.8% and approximately 59.2% respectively.

Expenses

Staff costs for the year ended 31 March 2018 was approximately HK\$20.5 million (2017: approximately HK\$17.0 million), representing an increase of approximately HK\$3.5 million as compared with the last year, which was mainly due to the increase in the member of employees in Hong Kong during the period.

Administrative expenses for the year ended 31 March 2018 were approximately HK\$29.6 million (2017: approximately HK\$16.7 million), representing an increase of approximately HK\$12.9 million as compared with the last corresponding period, which was mainly due to the increase in staff costs and expenses incurred for the Listing.

Taxes

The income tax expense comprised Hong Kong Profits Tax, Macao Complementary Tax and PRC Enterprise Income Tax ("EIT") for the year. The income tax expense for the year ended 31 March 2018 was approximately HK\$3.2 million (2017: approximately HK\$2.9 million).

Hong Kong Profits Tax is provided at 16.5% (2017: 16.5%) based on the estimated assessable profits arising in or derived from Hong Kong.

For the Group's subsidiary established and operated in the PRC, it is subject to PRC EIT at the rate of 25.0% (2017: 25.0%). No PRC EIT has been provided for the year ended 31 March 2018 (2017: Nil) as the Group's PRC subsidiary did not generate any assessable profits during the reporting periods.

For the Group's subsidiary established and operated in Macau, it is subject to Macao Complementary Tax, under which taxable income of up to MOP600,000 is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12.0% for the years ended 31 March 2018 and 2017.

Profit for the Year

The Group had net profit of approximately HK\$4.2 million for the year ended 31 March 2018, as compared with a net profit of approximately HK\$13.5 million for the year ended 31 March 2017. The decrease of net profit was primarily due to increase in staff costs and recognition of Listing expenses.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. The Directors believe that with the new capital from the listing of Shares on the GEM, the Group is in a healthy financial position to expand its core business and to achieve its business objectives. As at 31 March 2018, the Group had no bank borrowings (31 March 2017: approximately HK\$1.5 million). The Group requires cash primarily for working capital needs. As at 31 March 2018, the Group had approximately HK\$76.8 million in bank and cash balances (31 March 2017: approximately HK\$12.2 million).

Gearing Ratio

On 14 February 2018, the Company was listed on the GEM of the Stock Exchange by way of share offer and raised net proceeds from the issue of new shares of the Company of approximately HK\$44.5 million (after deducting the underwriting fees and other related expenses paid by the Company in connection with the share offer). With the net proceeds from the issue of new shares, the Group's equity base was significantly expanded, leading to the significant drop in gearing ratio from approximately 4.4% as at 31 March 2017 to approximately 0% as at 31 March 2018.

Note: Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank borrowings and finance lease obligations.

OPERATION REVIEW

Outlook

The ordinary shares of HK\$0.01 each (the "Shares") of the Company have been successfully listed on GEM on 14 February 2018. The Board considers that such public listing status will allow the Company to gain access to the capital market for corporate finance exercise, assist the Company in the future business development, enhance the Group's corporate profile and recognition and strengthen the Group's competitiveness.

Looking forward, the Group plans to generate further growth in existing business by strengthening its marketing capabilities and expanding its product portfolio through enhancing software development, with a view to further enlarging its market share in Hong Kong and Macau and becoming one of the active biometrics identification solutions providers in the PRC. As such, the Group plans to utilise the net proceeds from the Listing by way of share offer pursuant to the Prospectus on (i) launching of affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in Southern China; (ii) enhancing the quality of after-sale services and strengthening of the operation

support as part of the expansion plan of the business in Southern China; (iii) improving its information technology system; and (iv) setting up a new and separate software development center in the PRC to further enhance and develop the Group's software.

Employees and Remuneration Policies

As at 31 March 2018, the Group had a total of 65 employees. The Group's staff costs for the year ended 31 March 2018 amounted to approximately HK\$20.5 million (2017: approximately HK\$17.0 million). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances. Other benefits and incentives include training and share option.

In Hong Kong, the Group's employees have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In the PRC, the Group's employees have participated in the basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, maternity insurance prescribed by the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), and housing fund prescribed by the Regulations on the Administration of Housing Fund (《住房公積金管理條例》). All PRC-based employees have the right to participate in the social insurance and housing provident fund schemes.

Capital expenditures

The Group purchased property, plant and equipment and capitalised software costs amounting to approximately HK\$0.7 million and nil respectively for the year ended 31 March 2018 (2017: approximately HK\$1.1 million and HK\$78,000 respectively).

Capital commitments

The Group did not have any significant capital commitments as at 31 March 2018 (31 March 2017: Nil).

Foreign Currency Risk

The Company does not have significant exposure on foreign currency risk.

The functional currency of the Group's entities are principally denominated in HK\$, Renminbi ("RMB") and Macau Pataca ("MOP"). The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currencies of respective Group entities such as United States dollars ("US\$"), RMB and EURO. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2018.

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Save for those disclosed in the section headed “Business Objectives and Strategies” in the Prospectus and save for the Reorganisation, there were neither significant investments held as at 31 March 2018 nor material acquisitions and disposals of subsidiaries during the year ended 31 March 2018. There is no plan for material investments or capital assets as at the date of this announcement.

Charges over Assets of the Group

As at 31 March 2018, the Group had no pledged deposits (31 March 2017: HK\$Nil). As at 31 March 2017, the Group had motor vehicles held under finance lease of which were fully depreciated with carrying amount of nil. The finance lease payables were fully settled during the year ended 31 March 2018.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2018.

Comparison of business objectives with actual business progress

The Company successfully listed on the GEM of the Hong Kong Stock Exchange on 14 February 2018 and 200,000,000 ordinary shares were issued at HK\$0.35 per share by way of share offer (“Share Offer”). Net proceeds from the Share Offer was approximately HK\$44.5 million (after deducting the underwriting fees and other related expenses paid by the Company in connection with the Share Offer).

These proceeds are designated for the purposes in accordance the Prospectus, which is (i) approximately 35.6% of the net proceeds, representing approximately HK\$15.8 million to be used to launch affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in Southern China; (ii) approximately 11.4% of the net proceeds, representing approximately HK\$5.1 million to be used to enhance the quality of aftersales services and to strengthen the operation support as part of the expansion plan of the business in Southern China; (iii) approximately 11.2% of the net proceeds, representing approximately HK\$5.0 million to be used to improve the information technology system; (iv) approximately 34.1% of the net proceeds, representing approximately HK\$15.2 million to be used to set up a new and separate software development center in the PRC to further enhance and develop the Group’s software; and (v) approximately 7.7% of the net proceeds, representing approximately HK\$3.4 million to be used as working capital of the Group.

As at 31 March 2018, the Group had not yet utilised the proceeds from the Share Offer or achieved any business milestones as referred in the Prospectus. The Group will strive to achieve the milestone events as stated in the Prospectus.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

SHARE OPTION SCHEMES

The share option scheme of the Company (the “**Scheme**”) was adopted pursuant to a resolution passed by the Company's shareholders on 18 January 2018 for the primary purpose is to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. Eligible participants of the Scheme include any employees, any executives Directors, non-executive Directors (including independent non-executive Directors), advisors, consultants of the Company or any of its subsidiaries.

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further share options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarised in the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus. No share option have been granted, exercised, expired, cancelled or lapsed under the Scheme since its adoption.

EVENTS AFTER THE REPORTING PERIOD

The Company announced that the headquarters and principal place of business of the Company in Hong Kong is changed to Unit A, 6/F, TLP132, Nos. 132-134 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. Details of the above are set out in the Company's announcement dated 1 June 2018.

Compliance Adviser's Interests

As at the date of this announcement, save and except for (i) the participation of Ample Capital Limited (the “Compliance Adviser”) as the sponsor and Ample Orient Capital Limited as one of the underwriters and joint lead managers in relation to the Listing; and (ii) the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 25 January 2018, neither the Compliance Adviser, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) which is required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules.

Competing Interests

The Directors confirm that as at 31 March 2018, none of the controlling shareholders of the Company or Directors and their respective close associates (as defined in the GEM Listing Rules) had any interest in any business apart from the business operated by the Group which competed or is likely to compete, either directly or indirectly, with the Group's business.

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

The Company has adopted the required standard of dealings (the “Required Standard of Dealings”) as the code for securities transactions by the Directors on the guidelines as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his/her compliance with the Required Standard of Dealings since the Listing up to the date of this announcement.

Corporate Governance Practices

The Company endeavours to maintain high standard of corporate governance for the enhancement of shareholders’ value and provide transparency, accountability and independence. Except for the deviation from code provision A.2.1, the Company had complied with the required code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the “CG Code”) since the Listing and up to the date of this announcement.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tony Yuen is the chairman and the chief executive officer of the Company. In view of Mr. Tony Yuen is one of the founders of the Group and has been operating and managing the Group since June 1999, the Board believes that it is in the best interest of the Group to have Mr. Tony Yuen taking up both roles for effective management and business development. Therefore the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstances.

Scope of work of World Link CPA Limited

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2018 have been agreed by the Group’s auditors, World Link CPA Limited (“**World Link**”), to the amounts set out in the Group’s consolidated financial statements for the year ended 31 March 2018. The work performed by World Link in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by World Link on the preliminary announcement.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with rules 5.28 and 5.29 of the GEM Listing Rules and code provisions C.3.3 and C.3.7 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chung Billy (chairman of the Audit Committee), Mr. Hui Man Ho, Ivan and Mr. Mui Pak Kuen.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2018 and recommended approval to the Board.

By Order of the Board
Prime Intelligence Solutions Group Limited
匯安智能科技集團有限公司
Mr. Yuen Kwok Wai, Tony
Chairman

Hong Kong, 22 June 2018

As at the date of this announcement, the executive Directors are Mr. Yuen Kwok Wai, Tony, Ms. Yuen Mei Ling, Pauline, and Ms. Sun Ngai Chu, Danielle; the non-executive Director is Mr. Yam Chiu Fan, Joseph; and the independent non-executive Directors are Mr. Hui Man Ho, Ivan, Mr. Chung Billy and Mr. Mui Pak Kuen.

This announcement will appear on the GEM website (www.hkgem.com) for at least seven days after the date of publication and on the website of the Company (www.sebiotec.com).