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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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

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

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

*This announcement, for which the directors (the "**Directors**") of Prime Intelligence Solutions Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars give 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 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.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Board of Directors (the "**Board**") of Prime Intelligence Solutions Group Limited (the "**Company**") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the three and six months ended 30 September 2018 together with the unaudited and audited comparative figures for the corresponding periods in 2017 as follows:

		Three months ended 30 September		**Six months ended 30 September**	
		2018	2017	**2018**	2017
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*4*	**14,019**	17,858	**25,457**	35,358
Cost of sales		**(7,625)**	(7,036)	**(12,685)**	(13,565)
Gross profit		**6,394**	10,822	**12,772**	21,793
Other income	*5*	**243**	111	**304**	216
Selling and distribution costs		**(1,380)**	(1,514)	**(2,750)**	(2,680)
Administrative expenses		**(5,421)**	(6,187)	**(10,057)**	(11,514)
Profit/(Loss) from operation		**(164)**	3,232	**269**	7,815
Finance costs		**(4)**	(36)	**(20)**	(56)
Profit/(Loss) before tax		**(168)**	3,196	**249**	7,759
Income tax expense	*6*	**(41)**	(1,077)	**(299)**	(1,942)
Profit/(Loss) for the period	*7*	**(209)**	2,119	**(50)**	5,817
Other comprehensive income for the period, net of tax:					
Item that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**–**	40	**(287)**	233
Total comprehensive income for the period attributable to the owners of the Company		**(209)**	2,159	**(337)**	6,050
(Loss)/earnings per share (cents)					
— Basic	*9*	**(0.03)**	0.35	**(0.01)**	0.97
— Diluted	*9*	**(0.03)**	0.35	**(0.01)**	0.97

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 September 2018**	31 March 2018
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	*10*	**1,842**	1,036
Intangible assets		**143**	168
		1,985	1,204
Current assets			
Inventories		**18,787**	18,919
Trade receivables	*11*	**8,246**	12,354
Other receivables, prepayments and deposits		**4,746**	2,444
Bank and cash balances		**77,576**	76,837
		109,355	110,554
Current liabilities			
Trade payables	*12*	**2,298**	2,377
Other payables, deposits received and accrued expenses		**5,051**	5,663
Contract liabilities		**3,520**	3,595
Bank borrowings		**1,250**	–
Current tax liabilities		**733**	1,174
		12,852	12,809
Net current assets		**96,503**	97,745
Total assets less current liabilities		**98,488**	98,949
Non-current liabilities			
Contract liabilities		**10**	134
NET ASSETS		**98,478**	98,815
Capital and reserves			
Share capital	*13*	**8,000**	8,000
Reserves		**90,478**	90,815
TOTAL EQUITY		**98,478**	98,815

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	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$'000*	Total equity *HK$'000*
Balance at 1 April 2017 (audited)	–*	–	17,079	12	(688)	17,826	34,229	34,229
Total comprehensive income for the period (unaudited)	–	–	–	–	233	5,817	6,050	6,050
Balance at 30 September 2017 (unaudited)	–	–	17,079	12	(455)	23,643	40,279	40,279
Balance at 1 April 2018 (audited)	**8,000**	**51,682**	**17,079**	**12**	**2**	**22,040**	**90,815**	**98,815**
Total comprehensive income for the period (unaudited)	**–**	**–**	**–**	**–**	**(287)**	**(50)**	**(337)**	**(337)**
Balance at 30 September 2018 (unaudited)	**8,000**	**51,682**	**17,079**	**12**	**(285)**	**21,990**	**90,478**	**98,478**

* *Represents amount less than HK$1,000*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**791**	5,300
Purchases of property, plant and equipment	**(1,288)**	(594)
Other investing cash flows (net)	**24**	214
Net cash used in investing activities	**(1,264)**	(380)
Net cash from/(used in) financing activities	**1,250**	(1,493)
Net increase in cash and cash equivalents	**777**	3,427
Effect of foreign exchange rate changes	**(37)**	25
Cash and cash equivalents at beginning of the period	**76,836**	12,218
Cash and cash equivalents at end of the period	**77,576**	15,670
Analysis of cash and cash equivalents consist of		
Bank and cash balances	**77,576**	15,670

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. During the reporting period, the address of its principal place of business is located at 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 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. BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group for the three and six months ended 30 September 2018 are unaudited but have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The unaudited condensed consolidated financial statements were approved for issue by the Directors on 9 November 2018. The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Information" issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The unaudited condensed consolidated results have been prepared under the historical cost convention. The unaudited condensed consolidated results of the Group for the three and six months ended 30 September 2018 do not include all the information and disclosures required in the annual financial statements of the Group and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2018 (the "**2018 Consolidated Financial Statements**"). Except as described in paragraph headed "Change in accounting policies" below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated results are consistent with those used in the 2018 Consolidated Financial Statements.

The unaudited condensed consolidated financial statements of the Group are presented in Hong Kong dollars, which is the functional currency of the Company.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2018. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations.

The Group has initially adopted HKFRS 9 "Financial Instrument" and HKFRS 15 "Revenue from Contracts with Customers" from 1 April 2018. A number of other new standards are effective from 1 April 2018, but they do not have a material effect on the Group's consolidated financial statements.

Change in Accounting Policies

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) *Classification*

From 1 April 2018, the Group classified its financial assets to be measured at amortised costs.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

(b) *Measurement*

At initial recognition, the Group measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income or administrative and other operating expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) *Impairment*

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

With respect to the financial assets classified as "loans and receivables" (which were measured at amortised cost) and these financial assets will continue with their respective classification and measurements upon the adoption of HKFRS 9, and the carrying amounts of these financial assets as at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The measurement categories for all financial liabilities of the Group remain the same and the carrying amounts for all financial liabilities of the Group as at 1 April 2018 have not been significantly impacted by the initial application of HKFRS 9.

The following summaries the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 of the Group's financial assets as at 1 April 2018.

Financial assets	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39**	**Carrying amount under HKFRS 9**
			HK$'000	*HK$'000*
Trade and other receivables	Loans and receivables	Amortised cost	14,798	14,798

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the comparative information has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

Under HKFRS 15, the Group recognises the revenue from provision of auxiliary and other services when the performance obligation is satisfied over time and measures the progress towards complete satisfaction in accordance with the output method while the customer obtains control of the promised good or service in the contract.

The adoption of HKFRS 15 has no material effect on the adjustments to the opening balance of the retained profits at 1 April 2018 in the unaudited condensed consolidated statement of changes in equity and the amounts recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

New and revised HKFRSs in issue but not yet effective

A number of new standards and amendments to standards are issued but not yet effective for annual periods beginning on 1 April 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

The Group has the following updates to the information provided in the 2018 Consolidated Financial Statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

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 financing 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.

As discussed in the 2018 Consolidated Financial Statements, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases 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 note 17 to the unaudited condensed consolidated financial statements, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to approximately HK$6.3 million as at 30 September 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

3. 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.

4. REVENUE

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

	Three months ended 30 September		**Six months ended 30 September**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sales of biometrics identification devices, security products and other accessories	**10,170**	12,113	**17,515**	23,477
Provision of auxiliary and other services	**3,849**	5,745	**7,942**	11,881
	14,019	17,858	**25,457**	35,358

The following table provides information about receivables and contract liabilities from contracts with customers:

	30 September 2018	1 April 2018
	HK$	*HK$*
	(unaudited)	(audited)
Receivables, which are included in "Trade receivables"	**840**	1,292
Contract liabilities	**(3,530)**	(3,729)

The contract liabilities primarily relate to the advance consideration received from customers for auxiliary and other services includes (i) maintenance, installation and solution services; and (ii) software licensing, for which revenue is recognised over time. The amount of HK$2.2 million recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 September 2018.

5. OTHER INCOME

	Three months ended 30 September		**Six months ended 30 September**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income	**250**	1	**280**	2
Gain/(loss) on disposals of property, plant and equipment	**(8)**	110	**20**	210
Others	**1**	–	**4**	4
	243	111	**304**	216

6. INCOME TAX EXPENSE

	Three months ended 30 September		**Six months ended 30 September**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Provision for the period:				
Hong Kong Profits Tax	**41**	1,042	**299**	1,851
Macao Complementary Tax	**–**	35	**–**	91
	41	1,077	**299**	1,942

Hong Kong Profits Tax is provided at 16.5% (three and six months ended 30 September 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 is subject to PRC Enterprise Income Tax at the rate of 25.0% (three and six months ended 30 September 2017: 25.0%). No PRC Enterprise Income Tax has been provided for the three and six months ended 30 September 2018 (three and six months ended 30 September 2017: Nil) as the Group's PRC subsidiary either did not generate any assessable profits or has sufficient tax losses brought forward to offset against its assessable profits generated during the reporting periods.

For the Group's subsidiary established and operated in Macau is subject to Macao Complementary Tax. For the three and six months ended 30 September 2017 and 2018, Macao Complementary Tax has been provided at the rate of 12% on the estimated taxable income of the Group's Macao subsidiary.

7. (LOSS)/PROFIT FOR THE PERIOD

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of property, plant and equipment	**335**	189	**505**	291
Staff costs (including Directors' emoluments)				
— Salaries, bonus and allowances and other benefits in kind	**3,644**	2,469	**7,134**	6,514
— Commission	**158**	625	**385**	848
— Retirement benefits scheme contributions	**250**	184	**494**	411
	4,052	3,278	**8,013**	7,773
Cost of inventories sold	**5,693**	5,234	**9,507**	10,364
Foreign exchange losses, net	**114**	87	**142**	98
Gain/(loss) on disposals of property, plant and equipment	**(8)**	110	**20**	210
Listing expenses	**–**	2,064	**–**	3,800
Auditor's remuneration	**145**	125	**274**	250

8. DIVIDEND

No dividend was declared or paid during the six months ended 30 September 2018 (2017: Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the following:

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	**(209)**	2,119	**(50)**	5,817
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share *(note)*	**800,000,000**	600,000,000	**800,000,000**	600,000,000

Note: The weighted average number of ordinary shares in issue during the three and six months ended 30 September 2017 was calculated based on the assumption that 600,000,000 ordinary shares, being the number of shares in issue immediately after the completion of share capitalisation on 18 January 2018, deemed to have been issued. Details of the share capitalisation issue are set out in note 29(b) to the 2018 Consolidated Financial Statements.

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share to be presented as the Company did not have any dilutive potential ordinary shares outstanding during the three and six months ended 30 September 2018 and 2017.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment of approximately HK$1,288,000 (six months ended 30 September 2017: HK$594,000).

11. TRADE RECEIVABLES

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
From third parties	**8,213**	12,342
From related parties	**33**	12
	8,246	12,354

Analysis of trade receivables due from related parties:

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Long Yield Company Limited	**33**	12

Long Yield, a company incorporated in Hong Kong, in which Mr. Yuen Wing Hong, father of Mr. Yuen Kwok Wai, Tony ("**Mr. Tony Yuen**") 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:

	As at 30 September 2018 *HK$'000* **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
0 to 90 days	**5,699**	9,518
91 to 180 days	**1,192**	2,021
181 to 365 days	**1,152**	667
Over 365 days	**203**	148
	8,246	12,354

12. TRADE PAYABLES

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

	As at 30 September 2018 *HK$'000* **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
0 to 30 days	**886**	2,226
31 to 60 days	**1,378**	104
Over 60 days	**34**	47
	2,298	2,377

13. SHARE CAPITAL

	Number of ordinary shares *Per share*	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
As at 31 March 2018 (audited), 1 April 2018 and 30 September 2018 (unaudited)	5,000,000,000	50,000
Issued and fully paid:		
As at 31 March 2018 (audited), 1 April 2018 and 30 September 2018 (unaudited)	800,000,000	8,000

14. SHARE OPTION SCHEMES

On 18 January 2018, written resolution of the shareholders of the Company was passed to conditionally approve and adopt a share option scheme ("**Share Option Scheme**") to recognise and motivate the contributions that eligible participants have made or may make to the Group.

The Share Option Scheme adopted by the Company on 18 January 2018 will remain in force for a period of ten years from its effective date to 17 January 2028. Particulars of the Share Option Scheme of the Company are set out in Appendix IV to the Company's prospectus dated 30 January 2018.

No share option has been granted by the Company under the Share Option Scheme since its effective date and up to the end of the reporting period.

15. CONTINGENT LIABILITIES

At 30 September 2018, the Group did not have any contingent liabilities.

16. RELATED PARTY TRANSACTIONS

Other than those balances of related parties disclosed elsewhere in the condensed financial statements, the Group had the following material transactions with its related parties during the period.

(a) Transactions with related parties

		Three months ended 30 September		**Six months ended 30 September**	
		2018	2017	**2018**	2017
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sales of goods to related companies:					
— Long Yield	*(i)*	**41**	23	**57**	43
— SoHo Business Center Limited ("**SoHo**")	*(i),(ii)*	**–**	–	**–**	–
		41	23	**57**	43
Services rendered to related companies:					
— Long Yield	*(i)*	**25**	22	**48**	43
— SoHo	*(i),(ii)*	**30**	30	**50**	60
		55	52	**98**	103
Rental expenses paid to a related company:					
— Global Technology Corporation Limited ("**Global Technology**")	*(i),(ii)*	**162**	225	**366**	450

Notes:

(i) The pricing of the related party transactions are mutually agreed by the Group and related companies.

(ii) Mr. Tony Yuen and Ms. Pauline Yuen are able to exercise significant influence over SoHo and Global Technology.

Key management compensation

Key management mainly represents the Company's Directors. Remuneration for key management personnel of the Group is as follows:

	Three months ended 30 September		**Six months ended 30 September**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Salaries, bonus and allowances and other benefits in kind	**1,279**	630	**1,855**	1,083
Retirement benefits scheme contributions	**17**	15	**31**	30
	1,296	645	**1,886**	1,113

17. LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
Within one year	**2,191**	985
In the second to fifth years inclusive	**4,070**	2,518
	6,261	3,503

During the year, operating lease payments represent rentals payable by the Group for certain of its offices and staff quarters. Leases are negotiated for an average term of 2 to 3 years (2017: 2 years) and rentals are fixed over the lease terms and do not include contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 six months ended 30 September 2018 was approximately HK$25.5 million, representing a decrease of approximately 28.0% from approximately HK$35.4 million for the six months ended 30 September 2017. The decrease in revenue was mainly because the decrease in sales of biometrics identification devices and other accessories, in particular, the handheld devices as compared with the corresponding period in 2017.

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Sales of biometrics identification devices, security products and other accessories	**17,515**	23,477
Provision of auxiliary and other services	**7,942**	11,881
	25,457	35,358

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.

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was costs of inventories sold. The Group's costs of inventories sold decreased by approximately 8.3% to approximately HK$9.5 million for the six months ended 30 September 2018 as compared to the same period last year. The gross profit margin dropped from approximately 61.6% for the six months ended 30 September 2017 to approximately 50.2% for the six months ended 30 September 2018. The gross profit also dropped from approximately HK$21.8 million for the six months ended 30 September 2017 to approximately HK$12.8 million for the six months ended 30 September 2018. The decrease of gross profit margin and gross profit was mainly due to the decrease of gross profit of handheld devices.

Expenses

Staff costs for the six months ended 30 September 2018 was approximately HK$8.0 million (2017: approximately HK$7.8 million), representing an increase of approximately HK$0.2 million as compared with that of last year, which was mainly due to the increase in average bonus and allowances during the period.

Administrative expenses for the six months ended 30 September 2018 was approximately HK$10.1 million (2017: approximately HK$11.5 million), representing a decrease of approximately HK$1.4 million as compared with the last corresponding period, which was mainly due to the decrease in listing expenses.

Loss for the Period

The Group incurred a net loss of approximately HK$0.1 million for the six months ended 30 September 2018, as compared with a net profit of approximately HK$5.8 million for the six months ended 30 September 2017. The decrease of net profit was mainly due to the decrease of over 25% in revenue generated from the sales of biometrics identification devices and other accessories, in particular, the handheld devices as compared with the corresponding period in 2017.

The Board does not recommend the payment of dividends for the six months ended 30 September 2018.

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 GEM, the Group is in a healthy financial position to expand its core business and to achieve its business objectives. As at 30 September 2018, the Group had bank borrowings of approximately HK$1.3 million (31 March 2018: Nil). The Group requires cash primarily for working capital needs. As at 30 September 2018, the Group had approximately HK$77.6 million in bank and cash balances (31 March 2018: approximately HK$76.8 million).

Capital Expenditure

The Group purchased property, plant and equipment and capitalised software costs amounting to approximately HK$1.3 million and nil respectively for the six months ended 30 September 2018 (six months ended 30 September 2017: approximately HK$0.6 million and nil respectively).

Capital Commitments

The Group did not have any significant capital commitments as at 30 September 2018 (as at 31 March 2018: Nil).

Gearing Ratio

The Group's gearing ratio increased from 0% as at 31 March 2018 to approximately 1.3% as at 30 September 2018, mainly due to the Group's import/export loans were fully repaid 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.

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 six months ended 30 September 2018.

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

There were neither significant investments held as at 30 September 2018 nor material acquisitions and disposals of subsidiaries during the six months ended 30 September 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 30 September 2018, there is no charges over assets of the Group (as at 31 March 2018: Nil).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

Employees and Remuneration Policies

As at 30 September 2018, the Group had a total of 64 employees. The Group's staff costs for the six months ended 30 September 2018 amounted to approximately HK$8.0 million (six months ended 30 September 2017: approximately HK$7.8 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.

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 options have been granted, exercised, expired, cancelled or lapsed under the Scheme since its adoption.

Use of proceeds and actual progress of the Group's business objectives

The net proceeds from the Listing (after deducting the underwriting fees and other related expenses paid by the Company in connection with the share offer) which amounted to approximately HK$44.5 million will be used for the intended purposes as set out in the section headed "Statement of Business Objectives and Strategies" of the Prospectus. Set out below is the actual usage of net proceeds up to the date of this annual report:

	Net proceeds *HK$ million*	**Utilised** *HK$ million*	**Unutilised** *HK$ million*
Expanding the business in Southern China			
— launch of affordable locally manufactured fingerprint identification devices	15.8	–	15.8
— enhancement of the quality of after-sales services and strengthening of the operation support	5.1	(0.5)	4.6
Improving the information technology system	5.0	(0.6)	4.4
Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software	15.2	–	15.2
Working capital	3.4	(3.4)	–
	44.5	(4.5)	40.0

As disclosed in the Prospectus, the Group's business objectives are to further its growth in existing business by strengthening marketing capabilities and expanding product portfolio through enhancing software development, in order to further enlarge its market share in Hong Kong and Macau and to become one of the active biometrics identification solutions providers in the PRC. The Directors intend to achieve the objectives by (i) launch affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in Southern China; (ii) 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) improve the information technology system; (iv) set up a new and separate software development center in the PRC to further enhance and develop the Group's software; and (v) working capital of the Group.

The Group had planned to use approximately HK$15.8 million of net proceeds to launch affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in Southern China. The Group has not yet launch affordable locally manufactured fingerprint identification devices. The Group is reviewing the needs and timeframe for launch of affordable locally manufactured fingerprint identification devices so as to capture the above-mentioned low-end market in the PRC.

The Group had planned to use approximately HK$5.1 million of net proceeds 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. As at 30 September 2018, a total of approximately HK$0.5 million was spent on enhancing the quality of aftersales services and to strengthen the operation support as part of the expansion plan of the business in Southern China. The Group has rented one customer service centers in Futian district of Shenzhen instead of Changning district of Shanghai, the Directors consider that the Group customers are mainly located in Hong Kong, Shenzhen and Macao, locating the customer service center in Shenzhen can help timely aftersales services. The service center will also benefit from the business opportunities with the recent development of the Guangdong-Hong Kong-Macao Greater Bay Area, enabling the company to provide sales-related services arises from the development. The Group also employed additional employees for this service center.

The Group had planned to use approximately HK$5.0 million of net proceeds to improve the information technology system. As at 30 September 2018, a total of approximately HK$0.6 million was spent on improving the information technology system. The Group has upgraded the existing ERP system, including the customer relation management function and purchased computer and servers to support the existing ERP system.

The Group had planned to use approximately HK$15.2 million of net proceeds to set up a new and separate software development center in the PRC to further enhance and develop the Group's software. The Group is reviewing the needs and timeframe for setting up a new and separate software development center in the PRC to further enhance and develop the Group's software.

The Group had planned to use approximately HK$3.4 million of net proceeds to working capital. As at 30 September 2018, a total of approximately HK$3.4 million was spent on working capital.

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.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yuen Kwok Wai, Tony ("**Mr. Tony Yuen**") is the chairman and the chief executive officer of the Company. In the view that 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 CG Code provision A.2.1 is appropriate in such circumstance.

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 during the six months ended 30 September 2018 and up to the date of this announcement.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), which were 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 in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions

Ordinary share of the Company

Name	**Capacity and nature of interest**	**Number of shares** *(note 1)*	**Percentage of the Company's issued share capital**
Mr. Yuen Kwok Wai, Tony ("**Mr. Tony Yuen**") *(note 2)*	Interest of controlled corporation	366,000,000 (L)	45.75%
Ms. Yuen Mei Ling, Pauline ("**Ms. Pauline Yuen**") *(note 2)*	Interest of controlled corporation	366,000,000 (L)	45.75%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.

2. Delighting View Global Limited ("**Delighting View**") directly holds 366,000,000 Shares. As Delighting View is beneficially owned as to 85% and 15% by Mr. Tony Yuen and Ms. Pauline Yuen respectively and Mr. Tony Yuen and Ms. Pauline Yuen are parties acting in concert, each of Mr. Tony Yuen and Ms. Pauline Yuen is deemed to be interested in all the Share held by Delighting View under the SFO.

Save as disclosed above, as at 30 September 2018, none of the Directors and chief executive of the Company or their associates (as defined in the GEM Listing Rules) had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 ad 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to be taken under the provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2018, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions

Ordinary shares of the Company

Name	**Capacity and nature of interest**	**Number of shares** *(note 1)*	**Percentage of the Company's issued share capital**
Delighting View *(note 2)*	Beneficial owner	366,000,000 (L)	45.75%
Super Arena Limited ("**Super Arena**") *(note 3)*	Beneficial owner	120,000,000 (L)	15.0%
Mr. Kor Sing Mung, Michael ("**Mr. Kor**") *(note 3)*	Interest of controlled corporation	120,000,000 (L)	15.0%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.

2. As Delighting View is beneficially owned as to 85% and 15% by Mr. Tony Yuen and Ms. Pauline Yuen respectively and Mr. Tony Yuen and Ms. Pauline Yuen are parties acting in concert, each of Mr. Tony Yuen and Ms. Pauline Yuen is deemed to be interested in all the Shares held by Delighting View under the SFO.

3. Super Arena directly holds 120,000,000 Shares. As Super Arena is beneficially owned as to 70% by Mr. Kor, Mr. Kor is deemed to be interested in all the Shares held by Super Arena under the SFO.

Save as disclosed above, as at 30 September 2018, the Directors are not aware of any other person, other than Directors and the chief executive of the Company who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or options in respect of such share capital.

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 six months ended 30 September 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 30 September 2018, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group or any other conflicts of interest with the Group.

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 unaudited condensed consolidated financial statements of the Company for the three and six months ended 30 September 2018 has been reviewed by the Audit Committee. The Audit Committee is of the opinion that such financial information complies with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

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, 9 November 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 remain on the "Latest Company Announcement" page of the GEM website (www.hkgem.com) for at least seven days from the date of its publication. This announcement will also be published and on the Company's website at (www.primeintelligence.com.hk).