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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 2019**

#### **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.**

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*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 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 2019

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 2019, together with the comparative figures for the preceding year ended 31 March 2018, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2019*

|                                                                                             | <i>Note</i> | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---------------------------------------------------------------------------------------------|-------------|--------------------------------|-------------------------|
| <b>Revenue</b>                                                                              | 6           | <b>50,878</b>                  | 71,063                  |
| Cost of sales                                                                               |             | <u>(25,054)</u>                | <u>(29,016)</u>         |
| <b>Gross profit</b>                                                                         |             | <b>25,824</b>                  | 42,047                  |
| Other income                                                                                | 7           | <b>702</b>                     | 230                     |
| Selling and distribution costs                                                              |             | <b>(5,749)</b>                 | (5,121)                 |
| Administrative and other operating expenses                                                 |             | <u>(21,976)</u>                | <u>(29,645)</u>         |
| <b>(Loss)/profit from operation</b>                                                         |             | <b>(1,199)</b>                 | 7,511                   |
| Finance costs                                                                               | 8           | <u>(28)</u>                    | <u>(75)</u>             |
| <b>(Loss)/profit before tax</b>                                                             | 9           | <b>(1,227)</b>                 | 7,436                   |
| Income tax expense                                                                          | 10          | <u>(259)</u>                   | <u>(3,222)</u>          |
| <b>(Loss)/profit for the year attributable to equity owners of the Company</b>              |             | <b>(1,486)</b>                 | 4,214                   |
| <b>Other comprehensive income for the year, net of tax:</b>                                 |             |                                |                         |
| <i>Item that may be reclassified to profit or loss:</i>                                     |             |                                |                         |
| Exchange differences on translating foreign operations                                      |             | <u>(273)</u>                   | <u>690</u>              |
| <b>Total comprehensive income for the year attributable to equity owners of the Company</b> |             | <u><b>(1,759)</b></u>          | <u>4,904</u>            |
| <b>(Loss)/earnings per share (HK cents)</b>                                                 |             |                                |                         |
| — Basic and diluted                                                                         | 12          | <u><b>(0.19)</b></u>           | <u>0.67</u>             |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 March 2019*

|                                                        | <i>Note</i> | <b>2019</b><br><i>HK\$'000</i> | <b>2018</b><br><i>HK\$'000</i> |
|--------------------------------------------------------|-------------|--------------------------------|--------------------------------|
| <b>Non-current assets</b>                              |             |                                |                                |
| Property, plant and equipment                          |             | <b>1,816</b>                   | 1,036                          |
| Intangible assets                                      |             | <b>119</b>                     | 168                            |
|                                                        |             | <b>1,935</b>                   | 1,204                          |
| <b>Current assets</b>                                  |             |                                |                                |
| Inventories                                            |             | <b>21,393</b>                  | 18,919                         |
| Trade receivables                                      | <i>13</i>   | <b>9,691</b>                   | 12,354                         |
| Other receivables, prepayments and deposits            |             | <b>2,706</b>                   | 2,444                          |
| Tax recoverable                                        |             | <b>2,531</b>                   | –                              |
| Cash and bank balances                                 |             | <b>70,334</b>                  | 76,837                         |
|                                                        |             | <b>106,655</b>                 | 110,554                        |
| <b>Current liabilities</b>                             |             |                                |                                |
| Trade payables                                         | <i>14</i>   | <b>2,922</b>                   | 2,377                          |
| Other payables, deposits received and accrued expenses |             | <b>5,538</b>                   | 5,663                          |
| Contract liabilities                                   |             | <b>5,066</b>                   | –                              |
| Deferred revenue                                       |             | <b>–</b>                       | 3,595                          |
| Current tax liabilities                                |             | <b>67</b>                      | 1,174                          |
|                                                        |             | <b>13,593</b>                  | 12,809                         |
| <b>Net current assets</b>                              |             | <b>93,062</b>                  | 97,745                         |
| <b>Total assets less current liabilities</b>           |             | <b>94,997</b>                  | 98,949                         |
| <b>Non-current liabilities</b>                         |             |                                |                                |
| Contract liabilities                                   |             | <b>102</b>                     | –                              |
| Deferred revenue                                       |             | <b>–</b>                       | 134                            |
|                                                        |             | <b>102</b>                     | 134                            |
| <b>NET ASSETS</b>                                      |             | <b>94,895</b>                  | 98,815                         |
| <b>Capital and reserves</b>                            |             |                                |                                |
| Share capital                                          | <i>15</i>   | <b>8,000</b>                   | 8,000                          |
| Reserves                                               |             | <b>86,895</b>                  | 90,815                         |
| <b>TOTAL EQUITY</b>                                    |             | <b>94,895</b>                  | 98,815                         |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

|                                                        | Attributable to equity owners of the Company |                           |                            |                           |                                                  |                              |                           | Total equity<br>HK\$'000 |
|--------------------------------------------------------|----------------------------------------------|---------------------------|----------------------------|---------------------------|--------------------------------------------------|------------------------------|---------------------------|--------------------------|
|                                                        | Share capital<br>HK\$'000                    | Share premium<br>HK\$'000 | Merger reserve<br>HK\$'000 | Legal reserve<br>HK\$'000 | Foreign currency translation reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Total reserve<br>HK\$'000 |                          |
| At 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)                 |
| Profit and 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 and 1 April 2018                      | 8,000                                        | 51,682                    | 17,079                     | 12                        | 2                                                | 22,040                       | 90,815                    | 98,815                   |
| Impact on initial application of HKFRS 15 (note 3(a))  | —                                            | —                         | —                          | —                         | —                                                | (2,161)                      | (2,161)                   | (2,161)                  |
| Loss and total comprehensive income for the year       | —                                            | —                         | —                          | —                         | (273)                                            | (1,486)                      | (1,759)                   | (1,759)                  |
| Changes in equity for the year                         | —                                            | —                         | —                          | —                         | (273)                                            | (3,647)                      | (3,920)                   | (3,920)                  |
| At 31 March 2019                                       | 8,000                                        | 51,682                    | 17,079                     | 12                        | (271)                                            | 18,393                       | 86,895                    | 94,895                   |

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

### 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. 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 PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (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 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 in note 4 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 HKFRSSs

The HKICPA has issued a number of new and revised HKFRSSs that are first effective for annual periods beginning on or after 1 April 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

- (i) HKFRS 9 Financial Instruments; and
- (ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### *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 Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

The application of HKFRS 9 did not affect the classification and measurement of the Group's loans and receivables as at 1 April 2018 which are continue to be measured at amortised cost after initial application. As a result, restatement of the opening accumulated losses, other components of equity and comparative information is not required.

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

#### (a) *Classification*

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income (“**FVTOCI**”) or fair value through profit or loss (“**FVTPL**”); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

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 FVTOCI.

(b) *Measurement*

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

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented in the statement of profit or loss.
- **FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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 continued 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 FVTPL 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 FVTOCI are not reported separately from other changes in fair value.

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.

(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 and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the Group's receivables. There is no significant change in accumulated impairment loss at the date of initial adoption of HKFRS 9 as compared with that recognised under HKAS 39.

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

| Financial assets                                               | Classification<br>under HKAS 39 | Classification<br>under HKFRS 9 | Carrying<br>amount under<br>HKAS 39<br>HK\$'000 | Carrying<br>amount under<br>HKFRS 9<br>HK\$'000 |
|----------------------------------------------------------------|---------------------------------|---------------------------------|-------------------------------------------------|-------------------------------------------------|
| Trade receivables ( <i>note</i> )                              | Loans and receivables           | Amortised cost                  | 12,354                                          | 12,354                                          |
| Other receivables, prepayments<br>and deposits ( <i>note</i> ) | Loans and receivables           | Amortised cost                  | 2,444                                           | 2,444                                           |
| Cash and bank balances                                         | Loans and receivables           | Amortised cost                  | 76,837                                          | 76,837                                          |

*Note:* These balances were classified as loans and receivables under HKAS 39 are now classified at amortised cost.

***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.

Under HKFRS 15, an entity is required to identify the performance obligations in the contract, determine the transaction price of the contract, allocate the transaction price to the performance obligations in the contract based on each performance obligation's standalone price, and recognise revenue when the performance obligations are satisfied.

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 has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference, at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

As mentioned in note 7 to the consolidated financial statements, the Group mainly derived its revenue from (i) sales of biometric identification devices, security products and other accessories; and (ii) provision of auxiliary and other services which include (a) maintenance, installation and solution services; and (b) software licensing.

Prior to application of HKFRS 15, apart from maintenance services was recognised on a straight-line basis over the relevant term of maintenance contracts, the Group recognised income from sales of goods and provision of other services at a point in time: i.e. when the goods and relevant services are delivered to customers.

The Group generally provides one-year free warranty on sales of biometrics identification devices and certain accessories to its customers, income from sales of such products was fully recognised upon delivery under HKAS 18 "Revenue" and the Group would recognise a provision (if necessary) for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The estimation basis is reviewed on an ongoing basis and revised where appropriate. Following the adoption of HKFRS 15, the one-year free warranty constitutes a separate unfulfilled performance obligation upon delivery of the promised goods and the Group had distinguished contract amount between sales of products and provision of warranty services and recognised unfulfilled warranty services as contract liabilities having considered (i) the standalone transaction price for sales of products and provision of warranty services; and (ii) the weighted discount given to a bundle sales of products and provision of warranty services. The opening retained profits were adjusted by the contract liabilities and the corresponding income tax effect as if HKFRS 15 was in effect as at 1 April 2018.

Save for disclosed above, the adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue from other source of income.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 15.

|                                                                                 | <i>HK\$'000</i> |
|---------------------------------------------------------------------------------|-----------------|
| <b>Retained profits</b>                                                         |                 |
| Change in timing of billed maintenance/ warranty services recognised as revenue | (2,588)         |
| Related tax                                                                     | 427             |
|                                                                                 | <hr/>           |
| <b>Net decrease in retained profits as at 1 April 2018</b>                      | <b>(2,161)</b>  |
|                                                                                 | <hr/> <hr/>     |

**(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 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

|                                                                           | <b>Effective for<br/>accounting periods<br/>beginning on or after</b> |
|---------------------------------------------------------------------------|-----------------------------------------------------------------------|
| HKFRS 16 Leases                                                           | 1 January 2019                                                        |
| HK(IFRIC) 23 Uncertainty over Income Tax Treatments                       | 1 January 2019                                                        |
| Annual Improvements to HKFRSs 2015–2017 Cycle                             | 1 January 2019                                                        |
| Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures | 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 HKFRS 16 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 16, 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 2019. 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 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 April 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 note 37 to 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\$4,531,000 as at 31 March 2019. 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.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

#### ***HK (IFRIC) 23 Uncertainty over Income Tax Treatments***

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

## **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 note 4 to 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 operating 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<br>biometrics<br>identification<br>devices, security<br>products and<br>other accessories<br><i>HK\$'000</i> | Provision of<br>auxiliary and<br>other services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------|
| <b>Year ended 31 March 2019</b> |                                                                                                                       |                                                                    |                          |
| Revenue from external customers | 34,811                                                                                                                | 16,067                                                             | 50,878                   |
| Segment profit                  | <u>16,080</u>                                                                                                         | <u>9,744</u>                                                       | <u>25,824</u>            |
| <b>Year ended 31 March 2018</b> |                                                                                                                       |                                                                    |                          |
| Revenue from external customers |                                                                                                                       |                                                                    |                          |
| Segment profit                  | 47,912                                                                                                                | 23,151                                                             | 71,063                   |
| Other segment information:      | 26,495                                                                                                                | 15,552                                                             | 42,047                   |
| Depreciation                    | <u>–</u>                                                                                                              | <u>61</u>                                                          | <u>61</u>                |

Reconciliations of reportable segment and profit or loss:

|                                                       | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|-------------------------------------------------------|-------------------------|-------------------------|
| <b>Profit or loss:</b>                                |                         |                         |
| Total profit of reportable segments                   | 25,824                  | 42,047                  |
| Other income                                          | 702                     | 230                     |
| Selling and distribution costs                        | (5,749)                 | (5,121)                 |
| Corporate administrative and other operating expenses | (21,976)                | (29,645)                |
| Finance costs                                         | (28)                    | (75)                    |
| Income tax expense                                    | <u>(259)</u>            | <u>(3,222)</u>          |
| Consolidated (loss)/profit for the year               | <u>(1,486)</u>          | <u>4,214</u>            |

(b) **Geographical information**

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

|                    | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Hong Kong          | 1,682                   | 1,198                   |
| PRC                | <u>253</u>              | <u>6</u>                |
| Consolidated total | <u>1,935</u>            | <u>1,204</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:

|                    | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|--------------------|--------------------------------|-------------------------|
| Hong Kong          | <b>38,432</b>                  | 56,930                  |
| PRC                | <b>7,847</b>                   | 7,405                   |
| Macau              | <b>4,599</b>                   | 6,728                   |
|                    | <hr/>                          | <hr/>                   |
| Consolidated total | <b>50,878</b>                  | 71,063                  |
|                    | <hr/> <hr/>                    | <hr/> <hr/>             |

**(c) Information about major customers**

During the year, no transaction with a single customer amounts to 10% or more of the Group's revenue (2018: 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:

|                                                                                        | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|----------------------------------------------------------------------------------------|--------------------------------|-------------------------|
| Sales of biometrics identification devices,<br>security products and other accessories | <b>34,811</b>                  | 47,912                  |
| Provision of auxiliary and other services                                              | <b>16,067</b>                  | 23,151                  |
|                                                                                        | <hr/>                          | <hr/>                   |
|                                                                                        | <b>50,878</b>                  | 71,063                  |
|                                                                                        | <hr/> <hr/>                    | <hr/> <hr/>             |

| <b>Timing for revenue recognition</b>                | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|------------------------------------------------------|--------------------------------|-------------------------|
| Products and services transferred at a point of time | <b>36,478</b>                  | 60,731                  |
| Services transferred over time                       | <b>14,400</b>                  | 10,332                  |
|                                                      | <hr/>                          | <hr/>                   |
|                                                      | <b>50,878</b>                  | 71,063                  |
|                                                      | <hr/> <hr/>                    | <hr/> <hr/>             |

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

**7. OTHER INCOME**

|                                                    | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|----------------------------------------------------|--------------------------------|-------------------------|
| Interest income                                    | <b>636</b>                     | 4                       |
| Gain on disposals of property, plant and equipment | <b>29</b>                      | 212                     |
| Others                                             | <b>37</b>                      | 14                      |
|                                                    | <hr/>                          | <hr/>                   |
|                                                    | <b>702</b>                     | 230                     |
|                                                    | <hr/> <hr/>                    | <hr/> <hr/>             |

## 8. FINANCE COSTS

|                                 | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|---------------------------------|--------------------------------|-------------------------|
| Interest on import/export loans | <b>28</b>                      | 75                      |

## 9. (LOSS)/PROFIT BEFORE TAX

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

|                                                          | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|----------------------------------------------------------|--------------------------------|-------------------------|
|                                                          | <i>Notes</i>                   |                         |
| Amortisation of intangible assets                        | <b>49</b>                      | 48                      |
| Depreciation of property, plant and equipment            | <i>(a)</i> <b>957</b>          | 589                     |
| Staff costs (including directors' emoluments)            | <i>(b)</i>                     |                         |
| — Salaries, bonus, allowances and other benefits in kind | <i>(c)</i> <b>21,014</b>       | 18,201                  |
| — Commission                                             | <b>673</b>                     | 1,183                   |
| — Retirement benefits scheme contributions               | <b>1,165</b>                   | 1,074                   |
|                                                          | <b>22,852</b>                  | 20,458                  |
| Write off of property, plant and equipment               | <b>1</b>                       | –                       |
| Gain on disposals of property, plant and equipment       | <b>(29)</b>                    | (212)                   |
| Cost of inventories sold                                 | <b>17,815</b>                  | 22,613                  |
| Foreign exchange losses, net                             | <b>252</b>                     | 121                     |
| Listing expenses                                         | –                              | 12,238                  |
| Operating lease charges in respect of premises           | <i>(c)</i> <b>2,002</b>        | 1,787                   |
| Auditors' remuneration                                   | <b>504</b>                     | 300                     |
| Impairment loss on trade receivables                     | <b>178</b>                     | –                       |
| Allowance for inventories/ (reversal of allowance)       | <b>386</b>                     | (99)                    |

*Notes:*

- (a) Depreciation of property, plant and equipment of HK\$Nil (2018: approximately HK\$61,000) for the year ended 31 March 2019 is included in cost of sales.
- (b) Included in staff cost approximately HK\$5,409,000 for the year ended 31 March 2019 (2018: HK\$4,311,000) is included in cost of sales.
- (c) Included in operating lease charges in respect of premises of approximately HK\$498,000 for the year ended 31 March 2019 (2018: HK\$360,000) is included in salaries, bonus, allowances and other benefits in kind of staff costs.

## 10. INCOME TAX EXPENSE

|                                     | 2019<br>HK\$'000  | 2018<br>HK\$'000    |
|-------------------------------------|-------------------|---------------------|
| Current tax — Hong Kong Profits Tax |                   |                     |
| Provision for the year              | 390               | 3,138               |
| Over-provision in prior years       | (77)              | (71)                |
|                                     | <u>313</u>        | <u>3,067</u>        |
| Macao Complementary Tax             |                   |                     |
| Provision for the year              | 83                | 155                 |
| Over-provision in prior years       | (137)             | —                   |
|                                     | <u>(54)</u>       | <u>155</u>          |
| Total tax charge for the year       | <u><u>259</u></u> | <u><u>3,222</u></u> |

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. Other subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 March 2019.

For the Group’s subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% (2018: 25%) during the year. No PRC Enterprise Income Tax has been provided 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 years ended 31 March 2019 and 2018.

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 (2018: MOP600,000) is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% (2018: 12%) for the years ended 31 March 2019 and 2018.

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

|                                                                   | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|-------------------------------------------------------------------|--------------------------------|-------------------------|
| (Loss)/profit before tax                                          | <u>(1,227)</u>                 | <u>7,436</u>            |
| Tax at the domestic tax rate of 16.5% (2018: 16.5%)               | (202)                          | 1,227                   |
| Tax effect of income that is not taxable                          | (201)                          | (96)                    |
| Tax effect of expenses that are not deductible                    | 925                            | 2,240                   |
| Tax effect of temporary differences not recognised                | 64                             | (16)                    |
| Tax effect of utilisation of tax losses not previously recognised | (55)                           | (32)                    |
| Tax effect of tax losses not recognised                           | –                              | 42                      |
| Over-provision in prior years                                     | (214)                          | (71)                    |
| Effect of different tax rates of subsidiaries                     | (3)                            | (72)                    |
| Tax effect of preferential tax rate                               | <u>(55)</u>                    | <u>–</u>                |
| Income tax expense for the year                                   | <u><b>259</b></u>              | <u><b>3,222</b></u>     |

## 11. DIVIDENDS

No dividend had been paid or declared by the Company during the year (2018: Nil).

## 12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

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

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

|                                                                                                            | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i>   |
|------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------|
| <i>(Loss)/earnings</i>                                                                                     |                                |                           |
| (Loss)/earnings for the purpose of calculating basic earnings per share                                    | <u><b>(1,486)</b></u>          | <u><b>4,214</b></u>       |
|                                                                                                            | <b>2019</b>                    | 2018                      |
| <i>Number of shares</i>                                                                                    |                                |                           |
| Issued ordinary shares at the beginning of year ( <i>note</i> )                                            | <b>800,000,000</b>             | 600,000,000               |
| Effect of issue of new shares under the share offer ( <i>note 15(c)</i> )                                  | <u>–</u>                       | <u>25,205,479</u>         |
| Weighted average number of ordinary shares for the purpose of calculating basic (loss)/ earnings per share | <u><b>800,000,000</b></u>      | <u><b>625,205,479</b></u> |

*Note:* Issued ordinary shares of the Company as at 1 April 2017 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) to the consolidated financial statements, deemed to have been issued since 1 April 2017.

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

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary shares outstanding during the years ended 31 March 2019 and 2018.

### 13. TRADE RECEIVABLES

|                                    | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|------------------------------------|------------------|------------------|
| From third parties                 | 9,869            | 12,342           |
| Less: allowance for doubtful debts | (178)            | –                |
|                                    | <u>9,691</u>     | <u>12,342</u>    |
| From a related party               | –                | 12               |
|                                    | <u>9,691</u>     | <u>12,354</u>    |

Analysis of trade receivables due from a related party:

|                                           | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|-------------------------------------------|------------------|------------------|
| Long Yield Company Limited (“Long Yield”) | <u>–</u>         | <u>12</u>        |

Long Yield, a company incorporated in Hong Kong, in which Mr. Tony Yuen and 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, net of allowance for doubtful debts and based on the invoice date is as follows:

|               | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---------------|------------------|------------------|
| 0–90 days     | 5,629            | 9,518            |
| 91–180 days   | 2,091            | 2,021            |
| 181–365 days  | 1,709            | 667              |
| Over 365 days | 262              | 148              |
|               | <u>9,691</u>     | <u>12,354</u>    |

As of 31 March 2019, trade receivables of approximately HK\$7,817,000 (2018: HK\$5,608,000) 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, net of allowance for doubtful debts and based on due date, is as follows:

|                | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|----------------|------------------|------------------|
| Within 90 days | 4,305            | 4,190            |
| 90–180 days    | 2,464            | 855              |
| Over 180 days  | 1,048            | 563              |
|                | <u>7,817</u>     | <u>5,608</u>     |

The Group does not charge interest or hold any collateral over these balances.

The Group applied simplified approach to provide the ECL as prescribed by HKFRS 9.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Lifetime ECL that has been recognised in accordance with simplified approach set out in HKFRS 9 is as follows:

|                          | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|--------------------------|--------------------------------|-------------------------|
| At beginning of the year | –                              | –                       |
| Allowance for the year   | <b>178</b>                     | –                       |
| At end of the year       | <b>178</b>                     | –                       |

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward looking information.

|                                       | <b>Current</b> | <b>Up to<br/>3 months<br/>past due</b> | <b>3 to 6<br/>months<br/>past due</b> | <b>Over<br/>6 months<br/>past due</b> | <b>Total</b> |
|---------------------------------------|----------------|----------------------------------------|---------------------------------------|---------------------------------------|--------------|
| <b>At 31 March 2019</b>               |                |                                        |                                       |                                       |              |
| Weighted average expected loss rate   | –              | –                                      | 0.4%                                  | 13.9%                                 |              |
| Receivable amount ( <i>HK\$'000</i> ) | 1,874          | 4,305                                  | 2,473                                 | 1,217                                 | 9,869        |
| Loss allowance ( <i>HK\$'000</i> )    | –              | –                                      | (9)                                   | (169)                                 | (178)        |

The carrying amounts of the Group's trade receivables at the end of reporting period, net of allowance for doubtful debts, are denominated in the following currencies:

|      | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|------|--------------------------------|-------------------------|
| HK\$ | <b>8,014</b>                   | 11,420                  |
| RMB  | <b>330</b>                     | 356                     |
| MOP  | <b>1,347</b>                   | 578                     |
|      | <b>9,691</b>                   | 12,354                  |

#### 14. TRADE PAYABLES

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

|              | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| 0–30 days    | <b>1,977</b>                   | 2,226                   |
| 31–60 days   | <b>939</b>                     | 104                     |
| Over 60 days | <b>6</b>                       | 47                      |
|              | <b>2,922</b>                   | 2,377                   |

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

|                 | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|-----------------|--------------------------------|-------------------------|
| HK\$            | <b>1,827</b>                   | 1,547                   |
| RMB             | <b>54</b>                      | 215                     |
| US\$            | <b>934</b>                     | 615                     |
| European dollar | <b>107</b>                     | –                       |
|                 | <u><b>2,922</b></u>            | <u>2,377</u>            |

## 15. SHARE CAPITAL

|                                                  | <i>Note</i> | <b>Number of<br/>shares</b> | <b>Amount<br/>HK\$'000</b> |
|--------------------------------------------------|-------------|-----------------------------|----------------------------|
| <b>Authorised:</b>                               |             |                             |                            |
| Ordinary shares of HK\$0.01 each                 |             |                             |                            |
| At 1 April 2017                                  |             | 38,000,000                  | 380                        |
| Increase in authorised share capital             | (a)         | <u>4,962,000,000</u>        | <u>49,620</u>              |
| At 31 March 2018, 1 April 2018 and 31 March 2019 |             | <u><u>5,000,000,000</u></u> | <u><u>50,000</u></u>       |
| <b>Issued and fully paid:</b>                    |             |                             |                            |
| Ordinary shares of HK\$0.01 each                 |             |                             |                            |
| At 1 April 2017                                  |             | 2,000                       | –*                         |
| Share capitalisation                             | (b)         | <u>599,998,000</u>          | <u>6,000</u>               |
| Issue of new shares under the share offer        | (c)         | <u>200,000,000</u>          | <u>2,000</u>               |
| At 31 March 2018, 1 April 2018 and 31 March 2019 |             | <u><u>800,000,000</u></u>   | <u><u>8,000</u></u>        |

\* 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 2019 and 2018.

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 2019, 41.75% (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 2019 was approximately HK\$50.9 million, representing a decrease of approximately 28.4% from approximately HK\$71.1 million for the year ended 31 March 2018. 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 2018.

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

|                                           | <b>For the year ended 31 March</b> |                 |
|-------------------------------------------|------------------------------------|-----------------|
|                                           | <b>2019</b>                        | <b>2018</b>     |
|                                           | <b>HK\$'000</b>                    | <b>HK\$'000</b> |
| Sales of products                         |                                    |                 |
| Biometrics identification devices         | <b>25,311</b>                      | 27,857          |
| Other devices and accessories             | <b>9,500</b>                       | 20,055          |
|                                           | <b>34,811</b>                      | 47,912          |
| Provision of auxiliary and other services |                                    |                 |
| Service income                            | <b>13,889</b>                      | 17,721          |
| Software licensing income                 | <b>2,098</b>                       | 5,297           |
| Others                                    | <b>80</b>                          | 133             |
|                                           | <b>16,067</b>                      | 23,151          |
| Total                                     | <b>50,878</b>                      | 71,063          |

### 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 21.2% to approximately HK\$17.8 million for the year ended 31 March 2019 (2018: approximately HK\$22.6 million). The gross profit margin dropped from approximately 59.2% for the year ended 31 March 2018 to approximately 50.8% for the year ended 31 March 2019. The gross profit also dropped from approximately HK\$42.0 million for the year ended 31 March 2018 to approximately HK\$25.8 million for the year ended 31 March 2019. 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 year ended 31 March 2019 was approximately HK\$22.9 million (2018: approximately HK\$20.5 million), representing an increase of approximately HK\$2.4 million as compared with the corresponding period last year, which was mainly due to the increase in the number of employees and increase in average bonus and allowances during the period.

Administrative and other operating expenses for the year ended 31 March 2019 were approximately HK\$22.0 million (2018: approximately HK\$29.6 million), representing an decrease of approximately HK\$7.6 million as compared with the last corresponding period, which was mainly due to the net effect of increase in staff costs and decrease in listing expenses.

## Taxes

The income tax expense comprised Hong Kong Profits Tax, Macao Complementary Tax and PRC Enterprise Income Tax for the year. The income tax expense for the year ended 31 March 2019 was approximately HK\$0.3 million (2018: HK\$3.2 million).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. Other subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 March 2019.

For the Group’s subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25.0% (2018: 25.0%). No PRC Enterprise Income Tax has been provided for the year ended 31 March 2019 (2018: 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, 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 year ended 31 March 2019 and 2018.

## Loss for the Year

The Group incurred a net loss of approximately HK\$1.5 million for the year ended 31 March 2019, as compared with a net profit of approximately HK\$4.2 million for the year ended 31 March 2018. 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 2018.

## Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows, bank borrowings and funds from the listing of the Company's shares on GEM of the Stock Exchange. The Directors believe that with the 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 31 March 2019, the Group had no bank borrowings (31 March 2018: Nil). The Group requires cash primarily for working capital needs. As at 31 March 2019, the Group had approximately HK\$70.3 million in cash and bank balances (31 March 2018: approximately HK\$76.8 million).

## Gearing Ratio

As at 31 March 2019 and 2018, the Group has no outstanding borrowings, accordingly there is no gearing ratio.

*Note:* Gearing ratio is calculated as the total debt divided by total equity.

## 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.

With utilising our prevailing biometrics identification solutions and software development, we consider to boarden our product range by developing certain consumer products with various popular functions including but not limited to artificial intelligence.

### **Employees and Remuneration Policies**

As at 31 March 2019, the Group had a total of 70 employees. The Group's staff costs for the year ended 31 March 2019 amounted to approximately HK\$22.9 million (2018: approximately HK\$20.5 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 expenditure**

The Group purchased property, plant and equipment amounting to approximately HK\$1.7 million for the year ended 31 March 2019 (2018: approximately HK\$0.7 million).

### **Capital commitments**

The Group did not have any significant capital commitments as at 31 March 2019 (2018: 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 2019.

## Significant Investments held, Material Acquisitions and Disposals of Subsidiaries

During the year ended 31 March 2019, the Group did not have any significant investment, material acquisition or disposal of subsidiaries and affiliated companies.

## Charges over Assets of the Group

As at 31 March 2019 and 2018, there was no charges over assets of the Group.

## Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019.

## 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 "Business Objectives and Strategies" of the Prospectus. Set out below is the actual usage of net proceeds up to the date of this announcement:

|                                                                                                                                 | <b>Net proceeds</b><br><i>HK\$ million</i> | <b>Utilised</b><br><i>HK\$ million</i> | <b>Unutilised</b><br><i>HK\$ million</i> |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------|------------------------------------------|
| <b>Expanding the business in Southern China</b>                                                                                 |                                            |                                        |                                          |
| — 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                                        | (1.5)                                  | 3.6                                      |
| <b>Improving the information technology system</b>                                                                              | 5.0                                        | (1.7)                                  | 3.3                                      |
| <b>Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software</b> | 15.2                                       | —                                      | 15.2                                     |
| <b>Working capital</b>                                                                                                          | 3.4                                        | (3.4)                                  | —                                        |
|                                                                                                                                 | <u>44.5</u>                                | <u>(6.6)</u>                           | <u>37.9</u>                              |

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) launching affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in Southern China; (ii) enhancing the quality of after-sales services and strengthening the operation support as part of the expansion plan of the business in Southern China; (iii) improving the 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.

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 after-sales services and to strengthen the operation support as part of the expansion plan of the business in Southern China. As at 31 March 2019, a total of approximately HK\$1.5 million was spent on enhancing the quality of after-sales 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 after-sales 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 Group 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 31 March 2019, a total of approximately HK\$1.7 million was spent on improving the information technology system. The Group has upgraded the existing ERP system, including the customer relationship 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 31 March 2019, a total of approximately HK\$3.4 million was spent on working 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 year ended 31 March 2019.

## **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.

## **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**

During the year ended 31 March 2019, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) as at 31 March 2019 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.

## **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 2019 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 2019. 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 2019 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, 21 June 2019

*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](http://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](http://www.primeintelligence.com.hk)).*