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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: 08379)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

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 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.*

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

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 2020, together with the comparative figures for the preceding year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*6*	**50,842**	50,878
Cost of sales and services rendered		**(26,264)**	(25,054)
Gross profit		**24,578**	25,824
Other income	*7*	**891**	702
Selling and distribution costs		**(5,141)**	(5,749)
Administrative and other operating expenses		**(23,095)**	(21,976)
Loss from operation		**(2,767)**	(1,199)
Finance costs	*8*	**(209)**	(28)
Loss before tax	*9*	**(2,976)**	(1,227)
Income tax expense	*10*	**(402)**	(259)
Loss for the year attributable to equity owners of the Company		**(3,378)**	(1,486)
Other comprehensive income for the year, net of tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(418)**	(273)
Total comprehensive income for the year attributable to equity owners of the Company		**(3,796)**	(1,759)
Loss per share (HK cents)			
— Basic and diluted	*12*	**(0.42)**	(0.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**1,144**	1,816
Right-of-use assets		**1,399**	–
Intangible assets		**70**	119
		2,613	1,935
Current assets			
Inventories		**20,943**	21,393
Trade receivables	*13*	**8,333**	9,691
Other receivables, prepayments and deposits		**2,839**	2,706
Tax recoverable		**2,643**	2,531
Cash and bank balances		**65,147**	70,334
		99,905	106,655
Current liabilities			
Trade payables	*14*	**898**	2,922
Other payables, deposits received and accrued expenses		**4,270**	5,538
Lease liabilities		**1,804**	–
Contract liabilities		**5,191**	5,066
Current tax liabilities		**–**	67
		12,163	13,593
Net current assets		**87,742**	93,062
Total assets less current liabilities		**90,355**	94,997
Non-current liabilities			
Lease liabilities		**1,175**	–
Contract liabilities		**413**	102
		1,588	102
NET ASSETS		**88,767**	94,895
Capital and reserves			
Share capital	*15*	**8,000**	8,000
Reserves		**80,767**	86,895
TOTAL EQUITY		**88,767**	94,895

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to the 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*
At 1 April 2018	8,000	51,682	17,079	12	2	22,040	90,815	98,815
Impact on initial application of HKFRS 15	–	–	–	–	–	(2,161)	(2,161)	(2,161)
At 1 April 2018 (as restated)	8,000	51,682	17,079	12	2	19,879	88,654	96,654
Loss and total comprehensive income and changes in equity for the year	–	–	–	–	(273)	(1,486)	(1,759)	(1,759)
At 31 March 2019 and 1 April 2019	8,000	51,682	17,079	12	(271)	18,393	86,895	94,895
Impact on initial application of HKFRS 16	–	–	–	–	–	(2,332)	(2,332)	(2,332)
At 1 April 2019 (as restated)	8,000	51,682	17,079	12	(271)	16,061	84,563	92,563
Loss and total comprehensive income and changes in equity for the year	**–**	**–**	**–**	**–**	**(418)**	**(3,378)**	**(3,796)**	**(3,796)**
At 31 March 2020	**8,000**	**51,682**	**17,079**	**12**	**(689)**	**12,683**	**80,767**	**88,767**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 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 in collective term includes 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 GEM Listing Rules and with the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong). Significant accounting policies adopted by the Group are discussed below.

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

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments as at 31 March 2019	4,531
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and leases of low-value assets	(700)
	3,831
Less: total future interest expenses	(270)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 April 2019	3,561
Of which:	
Current lease liabilities	1,443
Non-current lease liabilities	2,118
	3,561

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 March 2019.

The following table summaries the impacts of the initial adoption of HKFRS 16 on the Group's consolidated statement of financial position as at 1 April 2019:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	**Carrying amounts as at 31 March 2019**	**Recognition of lease**	**Impairment losses recognised on right-of-use assets**	**Carrying amounts as at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Right-of-use assets	–	3,510	(2,225)	1,285
Other receivables, prepayments and deposits	2,706	(56)	–	2,650
Lease liabilities	–	3,561	–	3,561

(c) *Impact of the financial results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the statement of cash flows.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** ***(note 1)***	**Hypothetical amounts for 2020 as if under HKAS 17**	Compared to amounts reported for 2019 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial result for the year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Loss from operation	**(2,767)**	**1,611**	**(2,297)**	**(3,453)**	(1,199)
Finance costs	**(209)**	**193**	**–**	**(16)**	(28)
Loss before tax	**(2,976)**	**1,804**	**(2,297)**	**(3,469)**	(1,227)
Loss for the year	**(3,378)**	**1,804**	**(2,297)**	**(3,871)**	(1,486)

	2020			2019
	Amounts reported under HKFRS 16 *HK$'000*	**Estimated amounts related to operating leases as if under HKAS 17** ***(note 1)*** *HK$'000*	**Hypothetical amounts for 2020 as if under HKAS 17** *HK$'000*	Compared to amounts reported for 2019 under HKAS 17 *HK$'000*
Line items in the statement of cash flows for year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash used in operations	**(2,915)**	**(2,297)**	**(5,212)**	(1,937)
Interest element of lease rentals paid	**(193)**	**193**	**–**	–
Net cash used in operating activities	**(3,705)**	**(2,104)**	**(5,809)**	(5,435)
Capital element of lease rentals paid	**(2,104)**	**2,104**	**–**	–
Net cash used in financing activities	**(2,104)**	**2,104**	**–**	–

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

(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 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

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 concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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 biometrics identification devices, security products and other accessories	Provision of auxiliary and other services	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2020			
Revenue from external customers	**33,505**	**17,337**	**50,842**
Segment profit	**16,276**	**8,302**	**24,578**
Year ended 31 March 2019			
Revenue from external customers	34,811	16,067	50,878
Segment profit	16,080	9,744	25,824

Reconciliations of reportable segment and profit or loss:

	2020	2019
	HK$'000	*HK$'000*
Profit or loss:		
Total profit of reportable segments	**24,578**	25,824
Other income	**891**	702
Selling and distribution costs	**(5,141)**	(5,749)
Corporate administrative and other operating expenses	**(23,095)**	(21,976)
Finance costs	**(209)**	(28)
Income tax expense	**(402)**	(259)
Consolidated loss for the year	**(3,378)**	(1,486)

(b) Geographical information

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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**2,443**	1,682
PRC	**170**	253
Consolidated total	**2,613**	1,935

Non-current assets include property, plant and equipment, right-of-use assets 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:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**41,164**	38,432
PRC	**6,307**	7,847
Macau	**3,371**	4,599
Consolidated total	**50,842**	50,878

(c) Information about major customers

During the year, no transaction with a single customer amounts to 10% or more of the Group's revenue (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Sales of biometrics identification devices, security products and other accessories	**33,505**	34,811
Provision of auxiliary and other services	**17,337**	16,067
	50,842	50,878

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at a point in time	**37,762**	36,478
Recognised over time	**13,080**	14,400
	50,842	50,878

7. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Interest income	**811**	636
Gain on disposals of property, plant and equipment	**–**	29
Others	**80**	37
	891	702

8. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interests on:		
— import/export loans	**16**	28
Effective interest expenses on lease liabilities	**193**	–
	209	28

9. LOSS BEFORE TAX

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

	Note	2020 HK$'000	2019 HK$'000
Amortisation of intangible assets		**49**	49
Depreciation			
— Owned assets		**742**	957
— Right-of-use assets		**1,611**	–
Staff costs (including directors' emoluments)	*(a)*		
— Salaries, bonus, allowances and other benefits in kind	*(b)*	**23,092**	21,014
— Commission		**341**	673
— Retirement benefits scheme contributions		**1,192**	1,165
		24,625	22,852
Write off of property, plant and equipment		**–**	1
Gain on disposals of property, plant and equipment		**–**	(29)
Cost of inventories sold		**16,713**	17,815
Foreign exchange losses, net		**26**	252
Operating lease charges in respect of premises	*(b)*	**108**	2,002
Auditors' remuneration		**503**	504
Impairment loss of trade receivables		**162**	178
Allowance for inventories		**220**	386

Notes:

(a) Included in staff cost of approximately HK$5,064,000 for the year ended 31 March 2020 (2019: approximately HK$5,409,000) is included in cost of sales.

(b) Included in operating lease charges in respect of premises of HK$Nil for the year ended 31 March 2020 (2019: approximately HK$498,000) is included in salaries, bonus, allowances and other benefits in kind of staff costs.

10. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**390**	390
Over-provision in prior years	**–**	(77)
	390	313
Macau Complementary Tax		
Provision for the year	**48**	83
Over-provision in prior years	**(36)**	(137)
	12	(54)
Total tax charge for the year	**402**	259

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%.

Following the Bill enacted, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% (2019: 8.25%) for the first HK$2 million of its estimated assessable profits and at 16.5% (2019: 16.5%) on its 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% (2019: 16.5%) for the year ended 31 March 2020.

For the Group's subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% (2019: 25%) during the year. No PRC Enterprise Income Tax has been provided as the Group's PRC subsidiary did not generate any assessable profits during the years ended 31 March 2020 and 2019.

For the Group's subsidiary established and operated in Macau is subject to Macau Complementary Tax, under which taxable income of up to MOP600,000 (2019: MOP600,000) is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% (2019: 12%) for the years ended 31 March 2020 and 2019.

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

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(2,976)**	(1,227)
Tax at the domestic tax rate of 16.5% (2019: 16.5%)	**(491)**	(202)
Tax effect of income that is not taxable	**(227)**	(201)
Tax effect of expenses that are not deductible	**1,188**	925
Tax effect of temporary differences not recognised	**(105)**	64
Tax effect of utilisation of tax losses not previously recognised	**(7)**	(55)
Tax effect of tax losses not recognised	**301**	–
Over-provision in prior years	**(36)**	(214)
Effect of different tax rates of subsidiaries	**(56)**	(3)
Tax effect of preferential tax rate	**(165)**	(55)
Income tax expense for the year	**402**	259

11. DIVIDENDS

No dividend had been paid or declared by the Company during the year (2019: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

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

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(3,378)**	(1,486)

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**800,000**	800,000

(b) Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares outstanding during the years ended 31 March 2020 and 2019.

13. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
From third parties	**8,673**	9,869
Less: allowance for doubtful debts	**(340)**	(178)
	8,333	9,691

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:

	2020	2019
	HK$'000	*HK$'000*
0–90 days	**5,583**	5,629
91–180 days	**1,269**	2,091
181–365 days	**637**	1,709
Over 365 days	**844**	262
	8,333	9,691

As of 31 March 2020, trade receivables of approximately HK$4,404,000 (2019: approximately HK$7,817,000) 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:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**1,706**	4,305
90–180 days	**1,215**	2,464
Over 180 days	**1,483**	1,048
	4,404	7,817

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.

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:

	2020	2019
	HK$'000	*HK$'000*
HK$	**8,006**	8,014
EUR	**127**	–
RMB	**118**	330
MOP	**82**	1,347
	8,333	9,691

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:

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**142**	1,977
31–60 days	**708**	939
Over 60 days	**48**	6
	898	2,922

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

	2020	2019
	HK$'000	*HK$'000*
HK$	**211**	1,827
RMB	**9**	54
US$	**659**	934
EUR	**19**	107
	898	2,922

15. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	5,000,000	50,000

	Number of shares	**Amount**
	'000	*HK$'000*
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	800,000	8,000

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 2020 and 2019.

The only externally imposed capital requirement for the Group is that 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 2020, 41.75% (2019: 41.75%) of the shares were in public hands.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a provider of biometrics identification solutions in Hong Kong ("**Hong Kong**") Special Administrative Region of the People's Republic of China ("**PRC**"), Macau Special Administrative Region of the PRC ("**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 2020 was approximately HK$50.8 million, representing a slight decrease of approximately 0.2% from approximately HK$50.9 million for the year ended 31 March 2019. The decrease in revenue was mainly attributable to the net effect of (i) decrease in sales of biometries identification devices and other accessories by approximately HK$1.3 million, or 3.8% as compared with the corresponding period in 2019; and (ii) increase in revenue derived from provision of auxiliary and other service by approximately HK$1.3 million, or 7.9% as compared with the corresponding period in 2019.

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

	For the year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Sales of biometrics identification devices, security products and other accessories	**33,505**	34,811
Provision of auxiliary and other services	**17,337**	16,067
	50,842	50,878

Cost of Sales and Services Rendered and Gross Profit

The majority of the Group's cost of sales and services rendered was cost of inventories sold. The Group's cost of inventories sold decreased by approximately 6.2% to approximately HK$16.7 million for the year ended 31 March 2020 (2019: approximately HK$17.8 million). The gross profit margin dropped from approximately 50.8% for the year ended 31 March 2019 to approximately 48.4% for the year ended 31 March 2020. The gross profit also dropped from approximately HK$25.8 million for the year ended 31 March 2019 to approximately HK$24.6 million for the year ended 31 March 2020. The decrease of gross profit margin and gross profit was mainly due to the increase in direct cost incurred by the operation of the new software development centre in the PRC.

Expenses

Staff cost for the year ended 31 March 2020 was approximately HK$24.6 million (2019: approximately HK$22.9 million), representing an increase of approximately HK$1.7 million as compared with the last year, which was mainly due to the salary increment during the period.

Administrative expenses for the year ended 31 March 2020 were approximately HK$23.1 million (2019: approximately HK$22.0 million), representing an increase of approximately HK$1.1 million as compared with the last corresponding period, which was mainly due to the increase in staff cost.

Taxes

The income tax expense comprised Hong Kong Profits Tax, Macau Complementary Tax and PRC Enterprise Income Tax for the year. The income tax expense for the year ended 31 March 2020 was approximately HK$0.4 million (2019: approximately HK$0.3 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%.

Following the Bill becoming effective, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% (2019: 8.25%) for the first HK$2 million of its estimated assessable profits and at 16.5% (2019: 16.5%) on its 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% (2019: 16.5%) for the year ended 31 March 2020.

The Group's subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25.0% (2019: 25.0%). No PRC Enterprise Income Tax has been provided as the Group's PRC subsidiary did not generate any assessable profits during the years ended 31 March 2020 and 2019.

The Group's subsidiary established and operated in Macau is subject to Macau Complementary Tax, under which taxable income of up to Macau Pataca ("**MOP**") 600,000 (2019: MOP600,000) is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% (2019: 12%) for the year ended 31 March 2020 and 2019.

Loss for the Year

The Group incurred a net loss of approximately HK$3.4 million for the year ended 31 March 2020, as compared with a net loss of approximately HK$1.5 million for the year ended 31 March 2019. The increase in net loss was mainly due to (i) the cost involved in the setting up of a new and separate software development centre in the PRC to further enhance and develop the Group's software; (ii) an increase in administrative expenses mainly from the increase in staff cost; and (iii) the measures implemented by the governments of the PRC and Macau including locking down to control the rapid spread and reduce the scale of the infection of the novel coronavirus disease (COVID-19), which have impacted the usual business activities of the areas and disrupted the daily operations of the Group.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows, bank borrowings and proceeds from Listing. The Directors believe that with the new capital from Listing, the Group is in a healthy financial position to expand its core business and to achieve its business objectives. As at 31 March 2020, the Group had no bank borrowings (31 March 2019: Nil). The Group requires cash primarily for working capital needs. As at 31 March 2020, the Group had approximately HK$65.1 million in bank and cash balances (31 March 2019: approximately HK$70.3 million).

Gearing Ratio

As at 31 March 2020 and 2019, the Group has no outstanding borrowings and thus 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 its 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 Listing on (i) launching affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in the 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 the Southern China; (iii) improving its information technology system; and (iv) setting up a new and separate software development centre in the PRC to further enhance and develop the Group's software.

With the social events in the past few months and the latest spread of COVID-19 epidemic in Hong Kong, the Group plans to diversify its business to maintain a healthy portfolio. Leveraging on the experience of the Directors, the Group considers setting up new business lines including artificial intelligence technology solutions, catering management and trade services.

Employees and Remuneration Policies

As at 31 March 2020, the Group had a total of 70 employees. The Group's staff cost for the year ended 31 March 2020 amounted to approximately HK$24.6 million (2019: approximately HK$22.9 million). The Group's remuneration policies are in line with the prevailing market practise 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$0.1 million for the year ended 31 March 2020 (2019: approximately HK$1.7 million).

Capital Commitments

The Group did not have any significant capital commitments as at 31 March 2020 (2019: 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$, Renminbi ("**RMB**") and MOP. The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currencies of respective Group entities such as United States dollars ("**US$**"), 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 2020.

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

During the year ended 31 March 2020, the Group did not have any significant investment, material acquisition or disposal of subsidiaries or any plan for material investments or capital assets.

Charges over Assets of the Group

As at 31 March 2020 and 2019, there were no charges over assets of the Group.

Dividend

The Directors do not recommend payment of a final dividend for the year ended 31 March 2020.

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 (the "**Prospectus**") published by the Company in relation to the Listing. Set out below is the actual usage of net proceeds up to the date of this announcement:

	Net proceeds *HK$ million*	**Utilised** *HK$ million*	**Unutilised** *HK$ million*
Expanding the business in the 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	(3.1)	2.0
Improving the information technology system	5.0	(3.3)	1.7
Setting up a new and separate software development centre in the PRC to further enhance and develop the Group's software	15.2	(3.8)	11.4
Working capital	3.4	(3.4)	–
	44.5	(13.6)	30.9

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 the Southern China; (ii) enhancing the quality of aftersales services and strengthening the operation support as part of the expansion plan of the business in the Southern China; (iii) improving the information technology system; and (iv) setting up a new and separate software development centre 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 the Southern China. The Group has not yet launched 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 the Southern China. As at 31 March 2020, a total of approximately HK$3.1 million was spent on enhancing the quality of aftersales services and strengthening the operation support as part of the expansion plan of the business in the Southern China.

The Group had planned to use approximately HK$5.0 million of net proceeds to improve the information technology system. As at 31 March 2020, a total of approximately HK$3.3 million was spent on improving the information technology system.

The Group had planned to use approximately HK$15.2 million of net proceeds to set up a new and separate software development centre in the PRC to further enhance and develop the Group's software. As at 31 March 2020, a total of approximately HK$3.8 million was spent on setting up a new and separate software development centre 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 2020, 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 2020.

Share Option Scheme

The share option scheme of the Company (the "**Scheme**") was adopted pursuant to a resolution passed by the then shareholders of the Company 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), advisers, 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 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 the Scheme were summarised in the paragraph headed "Share Option Scheme" in Appendix IV to the Prospectus published by the Company in relation to the Listing. No share option has 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 2020, none of the Directors, the controlling shareholders and their respective associates (as defined in the GEM Listing Rules) as at 31 March 2020 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 a code of conduct regarding securities transactions by Directors (the "**Model Code**") on terms no less exacting than the required standard of dealings (the "**Required Standard of Dealings**") 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 Model Code and the Required Standard of Dealings since the date of Listing and up to the date of this announcement.

Corporate Governance Practices

The Company has committed to upholding 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 to 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. Yuen Kwok Wai, Tony ("**Mr. Tony Yuen**") is the chairman and the chief executive officer of the Company. In 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 code provision A.2.1 of the CG Code is appropriate in such circumstances.

Scope of work of McMillan Woods (Hong Kong) CPA Limited

McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**") has been appointed as the auditor of the Company following the resignation of World Link CPA Limited due to its reorganisation under which the audit engagement director and the audit engagement team joined another professional accounting firm with effect from 10 February 2020 and McMillan Woods was appointed to fill the casual vacancy. A resolution to re-appoint McMillan Woods as auditor of the Company will be proposed at the forthcoming annual general meeting.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 have been agreed by the Group's auditor, McMillan Woods, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2020. The work performed by McMillan Woods 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 McMillan Woods on the preliminary announcement.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in conformity of the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are, among others, 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. Poon Wai Hung Richard.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2020 and recommended approval to the Board.

Appointment and re-designation of Directors

On 2 March 2020, Mr. Mui Pak Kuen was re-designated from the position of independent non-executive Director to the position of executive Director; and Mr. Poon Wai Hung Richard was appointed as an independent non-executive Director.

Event after Reporting Period

The forthcoming financial year is expected to be challenging due to the market uncertainty as a result of the outbreak of COVID-19 epidemic. The Directors will monitor the developments of COVID-19 epidemic closely, assess and react proactively to its impacts on the financial position and operating results of the Group. Save as mentioned above, the Directors are not aware of any significant event which had material effect on the Group subsequent to 31 March 2020 and up to the date of this announcement.

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

Hong Kong, 22 June 2020

As at the date of this announcement, the executive Directors are Mr. Yuen Kwok Wai, Tony, Ms. Yuen Mei Ling, Pauline, Ms. Sun Ngai Chu, Danielle and Mr. Mui Pak Kuen; 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. Poon Wai Hung Richard.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the Company's website at www.primeintelligence.com.hk.