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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.

*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 for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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

The Board (the “**Board**”) of Directors (the “**Director(s)**”) of Prime Intelligence Solutions Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three and six months ended 30 September 2020 together with the unaudited and audited comparative figures for the corresponding periods in 2019 as follows:

		Three months ended 30 September		Six months ended 30 September	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	12,432	11,233	22,853	25,429
Cost of sales and services rendered		(7,586)	(6,989)	(12,851)	(13,764)
Gross profit		4,846	4,244	10,002	11,665
Other income	5	769	250	1,341	463
Selling and distribution cost		(1,105)	(1,190)	(2,035)	(2,375)
Administrative expenses		(5,807)	(6,843)	(10,687)	(12,205)
Reversal of impairment losses on trade receivables		110	–	110	–
Loss from operation		(1,187)	(3,539)	(1,269)	(2,452)
Finance cost		(52)	(56)	(93)	(119)
Loss before tax		(1,239)	(3,595)	(1,362)	(2,571)
Income tax expense	6	(37)	(84)	(277)	(470)
Loss for the period	7	(1,276)	(3,679)	(1,639)	(3,041)
Other comprehensive income for the period, net of tax:					
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		–	9	–	(25)
Total comprehensive income for the period attributable to the owners of the Company		(1,276)	(3,670)	(1,639)	(3,066)
Loss per share (HK cents)					
— Basic	9	(0.16)	(0.46)	(0.20)	(0.38)
— Diluted	9	(0.16)	(0.46)	(0.20)	(0.38)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		795	1,144
Right-of-use assets		2,468	1,399
Intangible assets		46	70
		3,309	2,613
Current assets			
Inventories		22,057	20,943
Trade receivables	10	5,955	8,333
Other receivables, prepayments and deposits		1,774	2,839
Tax recoverable		612	2,643
Cash and bank balances		65,245	65,147
		95,643	99,905
Current liabilities			
Trade payables	11	870	898
Other payables, deposits received and accrued expenses		5,536	4,270
Lease liabilities		1,915	1,804
Contract liabilities		1,510	5,191
		9,831	12,163
Net current assets		85,812	87,742
Total assets less current liabilities		89,121	90,355
Non-current liabilities			
Lease liabilities		1,894	1,175
Contract liabilities		99	413
		1,993	1,588
NET ASSETS		87,128	88,767
Capital and reserves			
Share capital	12	8,000	8,000
Reserves		79,128	80,767
TOTAL EQUITY		87,128	88,767

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Legal reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total reserve <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2019								
(audited)	8,000	51,682	17,079	12	(271)	18,287	86,789	94,789
Total comprehensive income for the period (unaudited)	—	—	—	—	(25)	(3,041)	(3,066)	(3,066)
Balance at 30 September 2019								
(unaudited)	<u>8,000</u>	<u>51,682</u>	<u>17,079</u>	<u>12</u>	<u>(296)</u>	<u>15,246</u>	<u>83,723</u>	<u>91,723</u>
Balance at 1 April 2020 (audited)	8,000	51,682	17,079	12	(689)	12,683	80,767	88,767
Total comprehensive income for the period (unaudited)	—	—	—	—	—	(1,639)	(1,639)	(1,639)
Balance at 30 September 2020								
(unaudited)	<u>8,000</u>	<u>51,682</u>	<u>17,079</u>	<u>12</u>	<u>(689)</u>	<u>11,044</u>	<u>79,128</u>	<u>87,128</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from/(used in) operating activities	<u>1,222</u>	<u>(2,498)</u>
Purchases of property, plant and equipment	(117)	(28)
Other investing cash flows (net)	<u>131</u>	<u>378</u>
Net cash from investing activities	<u>14</u>	<u>350</u>
Net cash used in financing activities	<u>(1,138)</u>	<u>–</u>
Net increase/(decrease) in cash and cash equivalent	98	(2,148)
Effect of foreign exchange rate changes	–	(95)
Cash and cash equivalents at beginning of the period	<u>65,147</u>	<u>70,334</u>
Cash and cash equivalents at end of the period	<u>65,245</u>	<u>68,091</u>
Analysis of cash and cash equivalents consist of		
Bank and cash balances	<u><u>65,245</u></u>	<u><u>68,091</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The unaudited condensed consolidated financial statements of the Group are presented in Hong Kong dollars ("**HK\$**"), which is the functional currency of the Company.

The unaudited condensed consolidated results of the Group for the three and six months ended 30 September 2020 do not include all the information and disclosures required in the annual financial statements of the Group and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2020 (the "**2020 Consolidated Financial Statements**"). Except as described in paragraph headed "Change in accounting policies and disclosures" below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated results are consistent with those used in the 2020 Consolidated Financial Statements.

Changes in accounting policies and disclosures

The following new and amended standards and interpretations are mandatory for the first time for financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of these new and amended HKFRSs had no significant effects on the results and financial position of the Group for the current and prior periods.

3. SEGMENT INFORMATION

The Group has two reportable segments as follows:

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

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

4. REVENUE

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

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of biometrics identification devices, security products and other accessories	8,994	7,785	15,763	17,708
Provision of auxiliary and other services	3,438	3,448	7,090	7,721
	<u>12,432</u>	<u>11,233</u>	<u>22,853</u>	<u>25,429</u>
	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Recognised at a point in time	9,747	8,680	17,125	19,683
Recognised over time	2,685	2,553	5,728	5,746
	<u>12,432</u>	<u>11,233</u>	<u>22,853</u>	<u>25,429</u>

5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income	8	194	131	378
Government subsidies	829	—	1,149	—
Others	(68)	56	61	85
	<u>769</u>	<u>250</u>	<u>1,341</u>	<u>463</u>

6. INCOME TAX EXPENSES

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Provision for the period:				
Hong Kong Profits Tax	37	84	277	470
	<u>37</u>	<u>84</u>	<u>277</u>	<u>470</u>

Hong Kong Profits Tax is provided at 16.5% (three and six months ended 30 September 2019: 16.5%) based on the estimated assessable profits arising in or derived from the Hong Kong Special Administrative Region (“**Hong Kong**”) of the People’s Republic of China (the “**PRC**”).

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 enactment of the Bill, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% (three and six months ended 30 September 2019: 8.25%) for the first HK\$2 million of its estimated assessable profits and at 16.5% (three and six months ended 30 September 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% (three and six months ended 30 September 2019: 16.5%) for the three and six months ended 30 September 2020.

The Group’s subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% (three and six months ended 30 September 2019: 25%). No PRC Enterprise Income Tax has been provided for the three and six months ended 30 September 2020 (three and six months ended 30 September 2019: Nil) as the Group’s PRC subsidiary did not generate any assessable profits during the reporting periods.

The Group’s subsidiary established and operated in the Macau Special Administrative Region of the PRC (the “**Macau**”) is subject to Macau Complementary Tax, under which taxable income of up to Macau Pataca (“**MOP**”) 600,000 for the three and six months ended 30 September 2020 (three and six months ended 30 September 2019: MOP600,000) is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% for the three and six months ended 30 September 2020 (three and six months ended 30 September 2019: 12%) for the reporting periods. No Macau Complementary Tax has been provided for the three and six months ended 30 September 2020 (three and six months ended 30 September 2019: Nil) as the Group’s Macau subsidiary did not generate any assessable profit during the reporting period.

7. LOSS FOR THE PERIOD

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

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation				
— Owned assets	141	205	293	447
— Right of use assets	659	576	1,060	1,009
Staff cost (including Directors' emoluments)				
— Salaries, bonus and allowances and other benefits in kind	5,729	6,994	11,063	11,544
— Commission	142	141	254	269
— Retirement benefits scheme contributions	220	345	411	649
	6,091	7,480	11,728	12,462
Cost of inventories sold	4,269	4,151	8,146	9,041
Reversal of impairment losses on trade receivables	(110)	—	(110)	—
Foreign exchange losses, net	99	43	23	120
Auditor's remuneration	156	158	285	287

8. DIVIDEND

No dividend was declared or paid during the three and six months ended 30 September 2020 (three and six months ended 30 September 2019: Nil).

9. LOSS PER SHARE

(a) Basic loss per Share

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

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the purpose of calculating basic loss per Share	(1,276)	(3,679)	(1,639)	(3,041)

Number of Shares

Weighted average number of ordinary Shares for the purpose of calculating basic loss per Share	800,000,000	800,000,000	800,000,000	800,000,000
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(b) Diluted loss per Share

No diluted loss per Share is presented as the Company did not have any dilutive potential ordinary Shares outstanding during the three and six months ended 30 September 2020 and 2019.

10. TRADE RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
From third parties	6,081	8,673
Less: allowance for doubtful debts	(230)	(340)
	<u>5,851</u>	<u>8,333</u>
From related parties	104	–
	<u>5,955</u>	<u>8,333</u>

Analysis of trade receivables due from related parties:

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Long Yield Company Limited (“Long Yield”)	96	–
SoHo Business Center Limited (“SoHo”)	8	–
	<u>104</u>	<u>–</u>

Mr. Yuen Kwok Wai, Tony (“**Mr. Tony Yuen**”) and Ms. Yuen Mei Ling, Pauline (“**Ms. Pauline Yuen**”) are able to exercise significant influence over Long Yield and SoHo (both are incorporated in Hong Kong).

Movements in the loss allowance for trade receivables during the period are as follows:

	Three months ended 30 September 2020 <i>HK\$'000</i> (unaudited)		Six months ended 30 September 2020 <i>HK\$'000</i> (unaudited)	
	2019 <i>HK\$'000</i> (unaudited)		2019 <i>HK\$'000</i> (unaudited)	
At 1 April	340	178	340	178
Impairment losses reversed during the period	(110)	–	(110)	–
At 30 September	<u>230</u>	<u>178</u>	<u>230</u>	<u>178</u>

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

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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
0 to 90 days	4,469	5,583
91 to 180 days	1,094	1,269
181 to 365 days	197	637
Over 365 days	195	844
	<u>5,955</u>	<u>8,333</u>

11. TRADE PAYABLES

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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
0 to 30 days	320	142
31 to 60 days	417	708
Over 60 days	133	48
	<u>870</u>	<u>898</u>

12. SHARE CAPITAL

	Number of Shares '000	Amount HK\$'000
Authorised:		
Ordinary Shares of HK\$0.01 each		
As at 31 March 2020 (audited), 1 April 2020 and 30 September 2020 (unaudited)	<u>5,000,000</u>	<u>50,000</u>
Issued and fully paid:		
As at 31 March 2020 (audited), 1 April 2020 and 30 September 2020 (unaudited)	<u>800,000</u>	<u>8,000</u>

13. SHARE OPTION SCHEMES

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

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

14. CONTINGENT LIABILITIES

At 30 September 2020, the Group did not have any contingent liabilities.

15. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	<i>Notes</i>	Three months ended 30 September		Six months ended 30 September	
		2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Sales of goods to related companies:					
— Long Yield	(i)	8	30	26	76
— SoHo	(i), (ii)	—	—	3	1
		<u>8</u>	<u>30</u>	<u>29</u>	<u>77</u>
Services rendered to related companies:					
— Long Yield	(i)	29	25	54	53
— SoHo	(i), (ii)	24	40	56	70
		<u>53</u>	<u>65</u>	<u>110</u>	<u>123</u>
Rental expenses paid to a related company:					
— Global Technology Corporation Limited (“ Global Technology ”)	(i), (ii)	<u>225</u>	<u>225</u>	<u>450</u>	<u>410</u>

Notes:

- (i) The pricing of the related party transactions are mutually agreed by the Group and related companies.
- (ii) Mr. Tony Yuen and Ms. Pauline Yuen are able to exercise significant influence over Global Technology.

(b) Key management compensation

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

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries, bonus and allowances and other benefits in kind	1,116	1,274	2,232	2,246
Retirement benefits scheme contributions	18	17	36	33
	1,134	1,291	2,268	2,279

16. EVENTS AFTER THE REPORTING PERIOD

Epidemic of the novel coronavirus disease 2019 (COVID-19) has spread across the PRC and other countries since early 2020 and has affected the business and economic activities of the Group as well as the Group's customers and suppliers to a certain extent. The overall financial effect of the COVID-19 outbreak on the Group cannot be reliably estimated as of the approval date of these consolidated financial statements. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the business, the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is a provider of biometrics identification solutions in Hong Kong, Macau and the PRC. The Group derives revenue from the following business activities: (i) sales of products which include biometrics identification devices, and other devices and accessories; and (ii) provision of auxiliary and other services. The Group's biometrics identification devices have one or more of the following functions: (i) face identification; (ii) fingerprint identification; (iii) finger vein identification; (iv) hand geometry identification; and (v) iris identification. The revenue of the Group for the six months ended 30 September 2020 was approximately HK\$22.9 million, representing a decrease of approximately 10.0% from approximately HK\$25.4 million for the six months ended 30 September 2019. The decrease in revenue was mainly attributable to the (i) decrease in sales of biometrics identification devices and other accessories by approximately HK\$1.9 million (or 11.0%) as compared with the corresponding period in 2019; (ii) decrease in revenue derived from provision of auxiliary and other service by approximately HK\$0.6 million (or 8.2%) as compared with the corresponding period in 2019; 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.

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

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Sales of biometrics identification devices, security products and other accessories	15,763	17,708
Provision of auxiliary and other services	7,090	7,721
	22,853	25,429

Outlook

The ordinary Shares of HK\$0.01 each have been successfully listed on GEM on 14 February 2018. The Board considers that such public listing status allows 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 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 aftersale services and strengthening 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 the novel coronavirus disease (COVID-19) 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.

FINANCIAL REVIEW

Cost of Sales 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 9.9% to approximately HK\$8.1 million for the six months ended 30 September 2020 as compared to the last corresponding period. The gross profit margin dropped from approximately 45.9% for the six months ended 30 September 2019 to approximately 43.8% for the six months ended 30 September 2020. The gross profit also dropped from approximately HK\$11.7 million for the six months ended 30 September 2019 to approximately HK\$10.0 million for the six months ended 30 September 2020. The decrease in 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 six months ended 30 September 2020 was approximately HK\$11.7 million (2019: approximately HK\$12.5 million), representing a decrease of approximately HK\$0.8 million as compared with that of last corresponding period, which was mainly due to the decrease in average bonus and allowances during the period.

Administrative expenses for the six months ended 30 September 2020 was approximately HK\$10.7 million (2019: approximately HK\$12.2 million), representing a decrease of approximately HK\$1.5 million as compared with the last corresponding period, which was mainly due to the decrease in travelling and professional expenses.

Loss for the Period

The Group incurred a net loss of approximately HK\$1.6 million for the six months ended 30 September 2020, as compared with a net loss of approximately HK\$3 million for the six months ended 30 September 2019. The decrease of net loss was mainly due to (i) the decrease in administrative expenses; and (ii) the increase in government subsidies.

The Board does not recommend the payment of dividends for the six months ended 30 September 2020.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. The Directors believe that with the new capital from the listing of Shares on GEM, the Group is in a healthy financial position to expand its core business and to achieve its business objectives. As at 30 September 2020, the Group had no bank borrowings (30 September 2019: Nil). The Group requires cash primarily for working capital needs. As at 30 September 2020, the Group had approximately HK\$65.2 million in bank and cash balances (31 March 2020: approximately HK\$65.1 million).

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$0.1 million for the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$0.1 million).

Capital Commitments

The Group did not have any significant capital commitments as at 30 September 2020 (as at 31 March 2020: Nil).

Gearing Ratio

As at 30 September 2020, the Group has no outstanding borrowings, accordingly there is no gearing ratio (as at 31 March 2020: HK\$Nil).

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

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, RMB and EURO. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 30 September 2020.

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

There were neither significant investments held as at 30 September 2020 nor material acquisitions and disposals of subsidiaries during the six months ended 30 September 2020. There is no plan for material investments or capital assets as at the date of this announcement.

Charges over Assets of the Group

As at 30 September 2020, there is no charge over assets of the Group (as at 31 March 2020: HK\$Nil).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

Employees and Remuneration Policies

As at 30 September 2020, the Group had a total of 72 employees. The Group's staff cost for the six months ended 30 September 2020 amounted to approximately HK\$11.7 million (six months ended 30 September 2019: approximately HK\$12.5 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.

Share Option Schemes

The Share Option Scheme was adopted pursuant to a resolution passed by the then Shareholders on 18 January 2018 for the primary purpose to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. Eligible participants of the Share Option Scheme include any employees, executive Directors, non-executive Directors (including independent non-executive Directors), advisers, consultants of the Company or any of its subsidiaries.

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

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

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

	Net proceeds <i>HK\$ million</i>	Utilised <i>HK\$ million</i>	Unutilised <i>HK\$ million</i>
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	(4.0)	1.1
Improving the information technology system	5.0	(3.8)	1.2
Setting up a new and separate software development centre in the PRC to further enhance and develop the Group’s software	15.2	(5.8)	9.4
Working capital	3.4	(3.4)	—
	<u>44.5</u>	<u>(17.0)</u>	<u>27.5</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 the Southern China; (ii) enhancing the quality of aftersales services and to strengthen 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 30 September 2020, a total of approximately HK\$4.0 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 30 September 2020, a total of approximately HK\$3.8 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 30 September 2020, a total of approximately HK\$5.8 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 30 September 2020, a total of approximately HK\$3.4 million was spent on working capital.

CORPORATE GOVERNANCE PRACTICES

The Group has committed to upholding high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial to the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of Shareholders.

The Company has adopted and complied with the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) as its own code and has complied with the CG Code for the six months ended 30 September 2020, except for the following deviation. The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance.

Chairman and chief executive officer

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

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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.

Upon specific enquiry made to all Directors, the Company was not aware of any non-compliance with the Model Code and the Required Standard of Dealings from the date of Listing up to the date of this announcement.

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

As at 30 September 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions

Ordinary Share of the Company

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

Notes:

1. The letter “L” denotes a long position in the Shareholder’s interest in the share capital of the Company.
2. Delighting View Global Limited (“**Delighting View**”) directly holds 366,000,000 Shares. As Delighting View is beneficially owned as to 85% and 15% by Mr. Tony Yuen and Ms. Pauline Yuen respectively and Mr. Tony Yuen and Ms. Pauline Yuen are parties acting in concert, each of Mr. Tony Yuen and Ms. Pauline Yuen is deemed to be interested in all the Shares held by Delighting View under the SFO.

Save as disclosed above, as at 30 September 2020, none of the Directors and chief executive of the Company or their associates (as defined in the GEM Listing Rules) had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to be taken under the provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 September 2020, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions

Ordinary Shares of the Company

Name	Capacity and nature of interest	Number of Shares (note 1)	Percentage of the Company's issued share capital
Delighting View (note 2)	Beneficial owner	366,000,000 (L)	45.75%
Super Arena Limited ("Super Arena") (note 3)	Beneficial owner	100,000,000 (L)	12.5%
Mr. Kor Sing Mung, Michael ("Mr. Kor") (note 3)	Interest of controlled corporation	100,000,000 (L)	12.5%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. As Delighting View is beneficially owned as to 85% and 15% by Mr. Tony Yuen and Ms. Pauline Yuen respectively and Mr. Tony Yuen and Ms. Pauline Yuen are parties acting in concert, each of Mr. Tony Yuen and Ms. Pauline Yuen is deemed to be interested in all the Shares held by Delighting View under the SFO.
3. Super Arena directly holds 100,000,000 Shares. As Super Arena is beneficially owned as to 70% by Mr. Kor, Mr. Kor is deemed to be interested in all the Shares held by Super Arena under the SFO.

Save as disclosed above, as at 30 September 2020, the Directors are not aware of any other person, other than Directors and the chief executive of the Company who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or options in respect of such share capital.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

COMPETING INTERESTS

The Directors confirm that as at 30 September 2020, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group or any other conflicts of interest with the Group.

DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 30 September 2020, the Group had no circumstances which would give rise to a disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee (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. Poon Wai Hung Richard.

The unaudited condensed consolidated financial statements of the Company for the three and six months ended 30 September 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such financial information complies with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

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

Hong Kong, 9 November 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 GEM website (www.hkgem.com) for at least seven days after the date of publication and on the website of the Company (www.primeintelligence.com.hk).