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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 2021

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

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

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

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*This announcement, for which the directors (the “**Directors**”) of Prime Intelligence Solutions Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021, together with the comparative figures for the preceding year ended 31 March 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	6	45,987	50,842
Cost of sales and services rendered		<u>(26,201)</u>	<u>(26,264)</u>
Gross profit		19,786	24,578
Other income	7	2,466	891
Selling and distribution costs		(4,840)	(5,141)
Administrative and other operating expenses		(23,817)	(22,933)
Impairment loss of trade receivables		<u>(215)</u>	<u>(162)</u>
Loss from operation		(6,620)	(2,767)
Finance costs	8	<u>(176)</u>	<u>(209)</u>
Loss before tax	9	(6,796)	(2,976)
Income tax expense	10	<u>(305)</u>	<u>(402)</u>
Loss for the year attributable to equity owners of the Company		(7,101)	(3,378)
Other comprehensive income for the year, net of tax:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>538</u>	<u>(418)</u>
Total comprehensive income for the year attributable to equity owners of the Company		<u>(6,563)</u>	<u>(3,796)</u>
Loss per share (HK cents)			
— Basic and diluted	12	<u>(0.89)</u>	<u>(0.42)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,095	1,144
Right-of-use assets		1,704	1,399
Intangible assets		21	70
		<hr/> 2,820	<hr/> 2,613
Current assets			
Inventories		22,979	20,943
Trade receivables	<i>13</i>	9,547	8,333
Other receivables, prepayments and deposits		2,493	2,839
Tax recoverable		85	2,643
Bank and cash balances		59,172	65,147
		<hr/> 94,276	<hr/> 99,905
Current liabilities			
Trade payables	<i>14</i>	499	898
Other payables and accrued expenses		3,667	4,270
Lease liabilities		1,597	1,804
Contract liabilities		7,681	5,191
Current tax liabilities		118	–
		<hr/> 13,562	<hr/> 12,163
Net current assets		<hr/> 80,714	<hr/> 87,742
Total assets less current liabilities		<hr/> 83,534	<hr/> 90,355
Non-current liabilities			
Lease liabilities		1,285	1,175
Contract liabilities		45	413
		<hr/> 1,330	<hr/> 1,588
NET ASSETS		<hr/> 82,204	<hr/> 88,767
Capital and reserves			
Share capital	<i>15</i>	8,000	8,000
Reserves		74,204	80,767
TOTAL EQUITY		<hr/> 82,204	<hr/> 88,767

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to the owners of the Company							
	Share capital	Share premium	Merger reserve	Legal reserve	Foreign currency translation reserve	Retained profits	Total reserve	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019	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 and 1 April 2020	8,000	51,682	17,079	12	(689)	12,683	80,767	88,767
Loss and total comprehensive income and changes in equity for the year	–	–	–	–	538	(7,101)	(6,563)	(6,563)
At 31 March 2021	<u>8,000</u>	<u>51,682</u>	<u>17,079</u>	<u>12</u>	<u>(151)</u>	<u>5,582</u>	<u>74,204</u>	<u>82,204</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION

The Company (together with its subsidiaries, the “**Group**”) 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 Windward 3, Regatta Office Park, P.O. Box 1350, 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 all Hong Kong Financial Reporting Standards (“**HKFRS**”), 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 Companies Ordinance of Hong Kong (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 Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

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

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2020. 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 16, COVID-19 related rent concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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 it 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 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.

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, impairment loss of trade receivables and income tax expense.

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

(a) Operating segment of the Group

Information about reportable segment profit or loss:

	Sales of biometrics identification devices, security products and other accessories <i>HK\$'000</i>	Provision of auxiliary and other services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2021			
Revenue from external customers	30,228	15,759	45,987
Segment profit	13,953	5,833	19,786
Year ended 31 March 2020			
Revenue from external customers	33,505	17,337	50,842
Segment profit	16,276	8,302	24,578

Reconciliations of reportable segment and profit or loss:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit or loss:		
Total profit of reportable segments	19,786	24,578
Other income	2,466	891
Selling and distribution costs	(4,840)	(5,141)
Corporate administrative and other operating expenses	(23,817)	(22,933)
Impairment loss of trade receivables	(215)	(162)
Finance costs	(176)	(209)
Income tax expense	(305)	(402)
	<u> </u>	<u> </u>
Consolidated loss for the year	<u><u>(7,101)</u></u>	<u><u>(3,378)</u></u>

(b) Geographical information

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Special Administrative Region (“ Hong Kong ”)	2,699	2,443
People's Republic of China (“ PRC ”)	121	170
	<u> </u>	<u> </u>
Consolidated total	<u><u>2,820</u></u>	<u><u>2,613</u></u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	39,293	41,164
PRC	5,073	6,307
Macau Special Administrative Region (“ Macau ”)	1,621	3,371
	<u> </u>	<u> </u>
Consolidated total	<u><u>45,987</u></u>	<u><u>50,842</u></u>

(c) Information about major customers

The Group's customer base which included one (2020: Nil) customer with whom transactions have exceeded 10% of revenue of the Group during the years ended 31 March 2021 and 31 March 2020 is set out as below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A (<i>note</i>)	<u><u>4,663</u></u>	<u><u>N/A</u></u>

Note: This customer did not contribute over 10% of the total revenue of the Group for the year ended 31 March 2020.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of biometrics identification devices, security products and other accessories	30,228	33,505
Provision of auxiliary and other services	15,759	17,337
	<u>45,987</u>	<u>50,842</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at a point in time	34,902	37,762
Recognised over time	11,085	13,080
	<u>45,987</u>	<u>50,842</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2021 and the expected recognising revenue are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision of auxiliary and other services		
Within one year	7,681	5,191
More than one year but not more than two years	45	413
	<u>7,726</u>	<u>5,604</u>

7. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income	152	811
Government grants*	2,284	–
Others	30	80
	<u>2,466</u>	<u>891</u>

* Government grants represent subsidies from the Government of the Hong Kong under the Employment Support Scheme.

At the end of the reporting period, there are no unfulfilled conditions nor other contingencies attached to the government grants.

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on import/export loans	–	16
Effective interest expenses on lease liabilities	<u>176</u>	<u>193</u>
	<u>176</u>	<u>209</u>

9. LOSS BEFORE TAX

The Group's loss before tax is stated after charging the following:

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amortisation of intangible assets		49	49
Depreciation			
— Owned assets	(a)	585	742
— Right-of-use assets		1,904	1,611
Staff costs (including directors' emoluments)	(b)		
— Salaries, bonus, allowances and other benefits in kind		23,103	23,092
— Commission		643	341
— Retirement benefits scheme contributions		949	1,192
		24,695	24,625
Loss on disposals of property, plant and equipment		157	–
Cost of inventories sold		14,632	16,713
Foreign exchange losses, net		314	26
Operating lease charges in respect of premises		450	108
Auditors' remuneration		503	503
Impairment loss of trade receivables		215	162
Allowance for inventories (included in cost of sales and services rendered)		<u>105</u>	<u>220</u>

Notes:

- (a) Depreciation on owned assets of approximately HK\$77,000 for the year ended 31 March 2021 (2020: Nil) is included in cost of sales and services rendered.
- (b) Staff costs of approximately HK\$5,405,000 for the year ended 31 March 2021 (2020: HK\$5,064,000) are included in cost of sales and services rendered.

10. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	429	390
Over-provision in prior years	(124)	—
	<u>305</u>	<u>390</u>
Macau Complementary Tax		
Provision for the year	—	48
Over-provision in prior years	—	(36)
	<u>—</u>	<u>12</u>
Total tax charge for the year	<u><u>305</u></u>	<u><u>402</u></u>

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

Under the two-tiered Profits Tax Regime, one of the Company's Hong Kong subsidiaries is subject to Hong Kong Profits Tax at the rate of 8.25% (2020: 8.25%) for the first HK\$2 million of its estimated assessable profits and at 16.5% (2020: 16.5%) on its estimated assessable profits above HK\$2 million. Other Hong Kong subsidiaries not qualifying for the two-tiered Profit Tax Regime are subject to Hong Kong Profits Tax at the rate of 16.5% (2020: 16.5%) for the year ended 31 March 2021.

The Group's subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% (2020: 25%) during the year. No PRC Enterprise Income Tax has been provided for the year ended 31 March 2021 as the Group's PRC subsidiary has sufficient tax losses brought forward to set off against assessable profit for the current year (2020: No assessable profits for the year).

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 (2020: MOP600,000) is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% (2020: 12%) for the year ended 31 March 2021.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before tax	<u>(6,796)</u>	<u>(2,976)</u>
Tax at the domestic tax rate of 16.5% (2020: 16.5%)	(1,121)	(491)
Tax effect of income that is not taxable	(495)	(227)
Tax effect of expenses that are not deductible	1,428	1,188
Tax effect of temporary differences not recognised	(25)	(105)
Tax effect of utilisation of tax losses not previously recognised	(267)	(7)
Tax effect of tax losses not recognised	946	301
Over-provision in prior years	(124)	(36)
Effect of different tax rates of subsidiaries	128	(56)
Tax effect of preferential tax rate	<u>(165)</u>	<u>(165)</u>
Income tax expense for the year	<u><u>305</u></u>	<u><u>402</u></u>

11. DIVIDENDS

No dividend had been paid or declared by the Company during the year (2020: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the purpose of calculating basic loss per share	<u>(7,101)</u>	<u>(3,378)</u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u><u>800,000</u></u>	<u><u>800,000</u></u>

(b) Diluted loss per share

Diluted loss per share was the same as the basic loss per share for the years ended 31 March 2021 and 2020 as there were no dilutive potential ordinary shares.

13. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
From third parties	10,102	8,673
Less: allowance for doubtful debts	(555)	(340)
	<u>9,547</u>	<u>8,333</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, net of allowance for doubtful debts and based on the invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	7,733	5,583
91–180 days	771	1,269
181–365 days	1,033	637
Over 365 days	10	844
	<u>9,547</u>	<u>8,333</u>

As of 31 March 2021, trade receivables of approximately HK\$6,262,000 (2020: HK\$4,404,000) were past due but were not considered as default. These trade receivables related to customers who are mainly listed companies or large property developers with 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	4,130	1,706
90–180 days	933	1,215
Over 180 days	1,199	1,483
	<u>6,262</u>	<u>4,404</u>

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

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HK\$	9,032	8,006
EUR	132	127
RMB	383	118
MOP	–	82
	<u>9,547</u>	<u>8,333</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	152	142
31–60 days	75	708
Over 60 days	272	48
	<u>499</u>	<u>898</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HK\$	320	211
RMB	55	9
US\$	123	659
EURO	1	19
	<u>499</u>	<u>898</u>

15. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.01 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<u>5,000,000</u>	<u>50,000</u>
	Number of shares '000	Amount HK\$'000
Issued and fully paid: Ordinary shares of HK\$0.01 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<u>800,000</u>	<u>8,000</u>

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 change was made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 2020.

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 its entire issued share capital. The Group receives a report from its share registrars weekly on substantial share interests showing the non-public float and continuing compliance with the 25% limit from the date of the Listing. As of 31 March 2021, 54.25% (2020: 41.75%) of the shares of the Company were in public hands.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a provider of biometrics identification solutions in Hong Kong, Macau and the PRC. The Group derives revenue from the following business activities: (i) sales of products which include biometrics identification devices, and other devices and accessories; and (ii) provision of auxiliary and other services. The Group's biometrics identification devices have one or more of the following functions: (i) face identification; (ii) fingerprint identification; (iii) finger vein identification; (iv) hand geometry identification; and (v) iris identification. The revenue of the Group for the year ended 31 March 2021 was approximately HK\$46.0 million, representing a slight decrease of approximately 9.5% from approximately HK\$50.8 million for the year ended 31 March 2020. The decrease in revenue was mainly attributable to the net effect of (i) decrease in sales of biometrics identification devices and other accessories by approximately HK\$3.3 million (or 9.8%) as compared with the corresponding period in 2020; and (ii) decrease in revenue derived from provision of auxiliary and other services by approximately HK\$1.6 million (or 9.1%) as compared with the corresponding period in 2020.

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	
	2021	2020
	HK\$'000	HK\$'000
Sales of biometrics identification devices, security products and other accessories	30,228	33,505
Provision of auxiliary and other services	15,759	17,337
	<u>45,987</u>	<u>50,842</u>

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 12.6% to approximately HK\$14.6 million for the year ended 31 March 2021 (2020: approximately HK\$16.7 million). The gross profit margin dropped from approximately 48.3% for the year ended 31 March 2020 to approximately 43.0% for the year ended 31 March 2021. The gross profit also dropped from approximately HK\$24.6 million for the year ended 31 March 2020 to approximately HK\$19.8 million for the year ended 31 March 2021. The decrease in gross profit was mainly due to (i) the decrease in sales of biometrics identification devices and other accessories; and (ii) the decrease in provision of auxiliary and other services.

Expenses

Staff costs for the year ended 31 March 2021 were approximately HK\$24.7 million (2020: approximately HK\$24.6 million), representing an increase of approximately HK\$0.1 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 2021 were approximately HK\$23.8 million (2020: approximately HK\$22.9 million), representing an increase of approximately HK\$0.9 million as compared with the last corresponding period, which was mainly due to the increase in legal and professional expenses.

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 2021 was approximately HK\$0.3 million (2020: approximately HK\$0.4 million).

Under the two-tiered Profits Tax Regime, one of the Company's Hong Kong subsidiaries is subject to Hong Kong Profits Tax at the rate of 8.25% (2020: 8.25%) for the first HK\$2 million of its estimated assessable profits and at 16.5% (2020: 16.5%) on its estimated assessable profits above HK\$2 million. Other Hong Kong subsidiaries not qualifying for the two-tiered Profit Tax Regime are subject to Hong Kong Profits Tax at the rate of 16.5% (2020: 16.5%) for the year ended 31 March 2021.

The Group's subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% (2020: 25%) during the year. No PRC Enterprise Income Tax has been provided for the year ended 31 March 2021 as the Group's PRC subsidiary has sufficient tax losses brought forward to set off against assessable profit for the current year (2020: No assessable profits for the year).

The Group's subsidiary established and operated in Macau is subject to Macau Complementary Tax, under which taxable income of up to MOP600,000 (2020: MOP600,000) is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% (2020: 12%) for the years ended 31 March 2021 and 2020.

Loss for the Year

The Group incurred a net loss of approximately HK\$7.1 million for the year ended 31 March 2021, as compared with a net loss of approximately HK\$3.4 million for the year ended 31 March 2020. The increase in net loss was mainly due to (i) an increase in administrative expenses mainly from the increase in legal and professional expenses; and (ii) 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 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 2021, the Group had no bank borrowings (31 March 2020: Nil). The Group requires cash primarily for working capital needs. As at 31 March 2021, the Group had approximately HK\$59.2 million in bank and cash balances (31 March 2020: approximately HK\$65.1 million).

Gearing Ratio

As at 31 March 2021 and 2020, the Group has no outstanding borrowings. Accordingly there is no gearing ratio.

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

OPERATION REVIEW

Outlook

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

Employees and Remuneration Policies

As at 31 March 2021, the Group had a total of 71 employees. The Group's staff costs for the year ended 31 March 2021 amounted to approximately HK\$24.7 million (2020: approximately HK\$24.6 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\$0.7 million for the year ended 31 March 2021 (2020: approximately HK\$0.1 million).

Capital Commitments

The Group did not have any significant capital commitments as at 31 March 2021 (2020: Nil).

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 March 2021.

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 2021.

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

During the year ended 31 March 2021, 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 2021 and 2020, 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 2021.

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) 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 published by the Company in respect of the Listing (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	(5.1)	–
Improving the information technology system	5.0	(5.0)	–
Setting up a new and separate software development centre in the PRC to further enhance and develop the Group's software	15.2	(11.2)	4.0
Working capital	3.4	(3.4)	–
	<u>44.5</u>	<u>(24.7)</u>	<u>19.8</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 after-sales 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 after-sales services and to strengthen the operation support as part of the expansion plan of the business in the Southern China. As at 31 March 2021, a total of approximately HK\$5.1 million was spent on enhancing the quality of after-sales 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 2021, a total of approximately HK\$5.0 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 2021, a total of approximately HK\$11.2 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 2021, 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 2021.

Share Option Scheme

The share option scheme of the Company (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.

Competing Interests

During the year ended 31 March 2021, none of the Directors, the Controlling Shareholders and their respective associates (as defined in the GEM Listing Rules) as at 31 March 2021 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.

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 2021

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 Announcement” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication. This announcement will also be published on the Company’s website at www.primeintelligence.com.hk.