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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 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.

*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 months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, as follows:

		Three months ended 30 June	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	13,432	10,421
Cost of sales and services rendered		<u>(7,789)</u>	<u>(5,265)</u>
Gross profit		5,643	5,156
Other income	4	3	572
Selling and distribution costs		(1,083)	(930)
Administrative and other operating expenses		<u>(6,300)</u>	<u>(4,880)</u>
Loss from operation		(1,737)	(82)
Finance costs		<u>(33)</u>	<u>(41)</u>
Loss before tax		(1,770)	(123)
Income tax expense	5	<u>(224)</u>	<u>(240)</u>
Loss for the period	6	<u>(1,994)</u>	<u>(363)</u>
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		<u>—</u>	<u>—</u>
Total comprehensive income for the period attributable to the owners of the Company		<u>(1,994)</u>	<u>(363)</u>
Loss per share (<i>HK cents</i>)			
— Basic and diluted	8	<u>(0.25)</u>	<u>(0.05)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company							
	Share capital	Share premium	Merger reserve	Legal reserve	Foreign	Retained profits	Total reserve	Total equity
					currency translation reserve			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)	—	—	—	—	—	(363)	(363)	(363)
Balance at 30 June 2020 (unaudited)	<u>8,000</u>	<u>51,682</u>	<u>17,079</u>	<u>12</u>	<u>(689)</u>	<u>12,320</u>	<u>80,404</u>	<u>88,404</u>
Balance at 1 April 2021 (audited)	8,000	51,682	17,079	12	(151)	5,582	74,204	82,204
Total comprehensive income for the period (unaudited)	—	—	—	—	—	(1,994)	(1,994)	(1,994)
Balance at 30 June 2021 (unaudited)	<u>8,000</u>	<u>51,682</u>	<u>17,079</u>	<u>12</u>	<u>(151)</u>	<u>3,588</u>	<u>72,210</u>	<u>80,210</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 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 of Hong Kong Limited (the "**Stock Exchange**") since 14 February 2018 (the "**Listing**").

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

2. BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2021 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

These condensed consolidated results have not been audited but have been reviewed by the audit committee of the Company.

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2021 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 2021 (the "**2021 Consolidated Financial Statements**"). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated results are consistent with those used in the 2021 Consolidated Financial Statements, except for those new and revised HKFRSs and interpretation issued by the HKICPA that are adopted for the first time in the unaudited condensed consolidated financial statements for the three months ended 30 June 2021.

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

3. 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 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of biometrics identification devices, security products and other accessories	9,096	6,769
Provision of auxiliary and other services	4,336	3,652
	13,432	10,421
	13,432	10,421

	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at a point in time	10,135	7,378
Recognised over time	3,297	3,043
	13,432	10,421
	13,432	10,421

4. OTHER INCOME

	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	1	123
Government subsidies	–	320
Others	2	129
	3	572
	3	572

5. INCOME TAX EXPENSE

	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Provision for the period:		
Hong Kong Special Administrative Region (“ Hong Kong ”) of the People’s Republic of China (“ PRC ”) Profits Tax	224	240

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% (three months ended 30 June 2020: 8.25%) for the first HK\$2 million of its estimated assessable profits and at 16.5% (three months ended 30 June 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% (three months ended 30 June 2020: 16.5%) for the three months ended 30 June 2021.

The Group’s subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% (three months ended 30 June 2020: 25%). No PRC Enterprise Income Tax has been provided for the three months ended 30 June 2021 (three months ended 30 June 2020: 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 Macau Special Administrative Region (“**Macau**”) of the PRC is subject to Macau Complementary Tax, under which taxable income of up to Macau Pataca (“**MOP**”) 600,000 (three months ended 30 June 2020: MOP600,000) is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% (three months ended 30 June 2020: 12%) for the three months ended 30 June 2021.

6. LOSS FOR THE PERIOD

	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation		
— Owned assets	92	152
— Right of use assets	350	401
Staff costs (including directors’ emoluments)		
— Salaries, bonus and allowances and other benefits in kind	5,537	5,334
— Commission	164	112
— Retirement benefits scheme contributions	315	191
	6,016	5,637
Cost of inventories sold	4,747	3,877
Foreign exchange (gain)/loss, net	29	(76)
Auditor’s remuneration	128	129

7. DIVIDENDS

No dividend was declared or paid during the three months ended 30 June 2021 (three months ended 30 June 2020: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

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

	Three months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the purpose of calculating basic and diluted loss per share	<u>(1,994)</u>	<u>(363)</u>
	Three months ended 30 June	
	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>800,000,000</u>	<u>800,000,000</u>

(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 months ended 30 June 2021 and 2020.

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 three months ended 30 June 2021 was approximately HK\$13.4 million, representing an increase by approximately 28.9% from approximately HK\$10.4 million for the three months ended 30 June 2020. The increase in revenue was mainly attributable to the net effect of (i) increase in sales of biometrics identification devices and other accessories by approximately HK\$2.3 million (or 34.3%) as compared with the corresponding period in 2020; and (ii) increase in revenue derived from provision of auxiliary and other services by approximately HK\$0.7 million (or 18.7%) 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.

	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of biometrics identification devices, security products and other accessories	9,096	6,769
Provision of auxiliary and other services	4,336	3,652
	13,432	10,421

Cost of Sales and Services Rendered and Gross Profit

The majority of the Group's cost of sales and services rendered was costs of inventories sold. The Group's costs of inventories sold increased by approximately 20.5% to approximately HK\$4.7 million for the three months ended 30 June 2021 (three months ended 30 June 2020: approximately 3.9 million). The gross profit margin dropped from approximately 49.5% for the three months ended 30 June 2020 to approximately 42.0% for the three months ended 30 June 2021. The gross profit also raised from approximately HK\$5.2 million for the three months ended 30 June 2020 to approximately HK\$5.6 million for the three months ended 30 June 2021. The increase in gross profit was mainly due to (i) the increase in sales of biometrics identification devices and other accessories; and (ii) the increase in provision of auxiliary and other services.

Expenses

Staff costs for the three months ended 30 June 2021 were approximately HK\$6.0 million (three months ended 30 June 2020: approximately HK\$5.6 million), representing an increase of approximately HK\$0.4 million, which was mainly due to the salary increment during the period.

Administrative expenses for the three months ended 30 June 2021 were approximately HK\$6.3 million (three months ended 30 June 2020: approximately HK\$4.9 million), representing an increase by approximately HK\$1.4 million as compared with the last corresponding period, which was mainly due to the increase in staff costs and legal and professional expenses.

Loss for the Period

The Group incurred a net loss of approximately HK\$2.0 million for the three months ended 30 June 2021, as compared with a net loss of approximately HK\$0.4 million for the three months ended 30 June 2020. The increase in net loss was mainly due to (i) an increase in administrative expenses mainly from the increase in staff costs and 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 infection of novel coronavirus disease (COVID-19), which have affected the usual business activities of the areas and disrupted the daily operations of the Group.

The Board does not recommend the payment of dividends for the three months ended 30 June 2021.

Outlook

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

Looking forward, the Group plans to generate further growth in existing business by strengthening its marketing capabilities and expanding its product portfolio through enhancing software development, with a view to further enlarging its market share in Hong Kong and Macau and becoming one of the active biometrics identification solutions providers in the PRC. As such, the Group plans to utilise the net proceeds from 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.

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

As at 30 June 2021, 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 (Chapter 571 of the Laws of Hong Kong) (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 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) were as follows:

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
Mr. Yuen Kwok Wai, Tony (“Mr. Tony Yuen”) (note 2)	Interest of controlled corporation	206,000,000 (L)	25.75%
Ms. Yuen Mei Ling, Pauline (“Ms. Pauline Yuen”) (note 2)	Interest of controlled corporation	206,000,000 (L)	25.75%

Notes:

1. The letter “L” denotes a long position in the interest of the shareholder (the “Shareholder”) of the Company in the share capital of the Company.
2. Delighting View Global Limited (“Delighting View”) directly holds 206,000,000 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 Shares held by Delighting View under the SFO.

Save as disclosed above, as at the date of this announcement, 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 and 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 June 2021, 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	206,000,000 (L)	25.75%
Kailong Asia Limited ("Kailong") (note 3)	Beneficial owner	190,000,000 (L)	23.75%
Soleil Capital Limited ("Soleil") (note 3)	Interest of controlled corporation	190,000,000 (L)	23.75%
Teo Kian Huat ("Mr. Teo") (note 3)	Interest of controlled corporation	190,000,000 (L)	23.75%

Notes:

1. The letter "L" denotes a long position in the interest of the Shareholder 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 Shares held by Delighting View under the SFO.
3. As Kailong is beneficially owned entirely by Soleil, which is in turn ultimately owned entirely by Mr. Teo, each of Soleil and Mr. Teo is deemed to be interested in all Shares held by Kailong under the SFO.

Save as disclosed above, as at the date of this announcement, the Directors are not aware of any other person, other than the 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.

PURCHASE, SALE 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 three months ended 30 June 2021.

Competing Interests

The Directors confirm that as at 30 June 2021, 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.

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.

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 GEM Listing Rules as its own code and has complied with the CG Code from the date of Listing up to the date of this announcement, except for the following deviation.

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. 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.

The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance.

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 months ended 30 June 2021 has been reviewed by the Audit Committee. The Audit Committee is of the opinion that such financial information complies with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

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

Hong Kong, 10 August 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 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.