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PRIME INTELLIGENCE SOLUTIONS GROUP LIMITED

懶豬科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08379)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

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 2023 together with the unaudited and audited comparative figures for the corresponding periods in 2022 as follows:

		Three months ended 30 September		Six months ended 30 September	
	<i>Notes</i>	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Revenue	4	12,172	9,044	21,469	21,354
Cost of sales and services rendered		(5,058)	(7,383)	(11,017)	(13,956)
Gross profit		7,114	1,661	10,452	7,398
Other income	5	199	448	244	790
Selling and distribution costs		(2,276)	(1,876)	(4,481)	(3,376)
Administrative and other operating expenses		(8,929)	(6,233)	(16,861)	(12,689)
Loss from operation		(3,892)	(6,000)	(10,646)	(7,877)
Finance costs		(40)	(31)	(87)	(32)
Loss before tax		(3,932)	(6,031)	(10,733)	(7,909)
Income tax credit/(expense)	6	–	28	–	(26)
Loss for the period	7	(3,932)	(6,003)	(10,733)	(7,935)
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		(69)	–	(59)	–
Total comprehensive income for the period attributable to the owners of the Company		(4,001)	(6,003)	(10,792)	(7,935)
Loss per share (HK cents)					
— Basic and diluted	9	(0.49)	(0.75)	(1.34)	(0.99)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2023	31 March 2023
	<i>Notes</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		544	556
Right-of-use assets		–	–
Intangible assets		–	–
		<u>544</u>	<u>556</u>
Current assets			
Inventories		24,761	22,535
Trade receivables	<i>10</i>	10,564	10,580
Other receivables, prepayments and deposits		2,460	3,421
Tax recoverable		99	69
Bank and cash balances		8,948	17,868
		<u>46,832</u>	<u>54,473</u>
Current liabilities			
Trade payables	<i>11</i>	2,795	2,384
Other payables and accrued expenses		7,453	5,138
Lease liabilities		1,672	2,075
Contract liabilities		8,548	7,938
Bank borrowings		1,000	–
		<u>21,468</u>	<u>17,535</u>
Net current assets		<u>25,364</u>	<u>36,938</u>
Total assets less current liabilities		<u>25,908</u>	<u>37,494</u>
Non-current liabilities			
Lease liabilities		1,293	1,977
Contract liabilities		811	921
		<u>2,104</u>	<u>2,898</u>
NET ASSETS		<u>23,804</u>	<u>34,596</u>
Capital and reserves			
Share capital	<i>12</i>	8,000	8,000
Reserves		15,804	26,596
TOTAL EQUITY		<u>23,804</u>	<u>34,596</u>

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>	Accumulated losses <i>HK\$'000</i>	Total reserve <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April								
2022 (audited)	8,000	51,682	17,079	12	(10)	(17,605)	51,158	59,158
Total comprehensive income for the period (unaudited)	—	—	—	—	—	(7,935)	(7,935)	(7,935)
Balance at 30 September								
2022 (unaudited)	<u>8,000</u>	<u>51,682</u>	<u>17,079</u>	<u>12</u>	<u>(10)</u>	<u>(25,540)</u>	<u>43,223</u>	<u>51,223</u>
Balance at 1 April								
2023 (audited)	8,000	51,682	17,079	12	(416)	(41,761)	26,596	34,596
Total comprehensive income for the period (unaudited)	—	—	—	—	(59)	(10,733)	(10,792)	(10,792)
Balance at 30 September								
2023 (unaudited)	<u>8,000</u>	<u>51,682</u>	<u>17,079</u>	<u>12</u>	<u>(475)</u>	<u>(52,494)</u>	<u>15,804</u>	<u>23,804</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in from operating activities	<u>(7,910)</u>	<u>(6,993)</u>
Purchases of property, plant and equipment	–	(13)
Other investing cash flows (net)	<u>79</u>	<u>3</u>
Net cash from/(used in) investing activities	<u>79</u>	<u>(10)</u>
Net cash used in financing activities	<u>(1,089)</u>	<u>(762)</u>
Net decrease in cash and cash equivalent	(8,920)	(7,765)
Cash and cash equivalents at beginning of the period	<u>17,868</u>	<u>36,879</u>
Cash and cash equivalents at end of the period	<u>8,948</u>	<u>29,114</u>
Analysis of cash and cash equivalents consist of		
Bank and cash balances	<u>8,948</u>	<u>29,114</u>

NOTES TO THE 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. 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 are listed on the 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 "**GEM Listing Rules**").

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 2023 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 2023 (the "**2023 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 2023 Consolidated Financial Statements.

Changes in accounting policy and disclosures

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 includes (i) maintenance, installation and solution services; and (ii) software licensing.

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

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		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of biometrics identification devices, security products and other accessories	8,012	6,021	14,090	14,001
Provision of auxiliary and other services	4,160	3,023	7,379	7,353
	12,172	9,044	21,469	21,354
	12,172	9,044	21,469	21,354
	10,470	6,984	16,955	16,059
Recognised over time	1,702	2,060	4,514	5,295
	12,172	9,044	21,469	21,354
	12,172	9,044	21,469	21,354

5. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income	37	2	81	3
Government subsidies	–	446	–	782
Others	162	–	163	5
	<u>199</u>	<u>448</u>	<u>244</u>	<u>790</u>

6. INCOME TAX EXPENSES

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Provision for the period:				
Hong Kong Special Administrative Region (“ Hong Kong ”) of the People’s Republic of China (“ PRC ”) Profits Tax				
— provision for the period	–	–	–	26
— over-provision for the prior period	–	(28)	–	–
	<u>–</u>	<u>(28)</u>	<u>–</u>	<u>26</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% (three and six months ended 30 September 2022: 8.25%) for the first HK\$2 million of its estimated assessable profits and at 16.5% (three and six months ended 30 September 2022: 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 and six months ended 30 September 2022: 16.5%) for the three and six months ended 30 September 2023.

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 2022: 25%). No PRC Enterprise Income Tax has been provided for the three and six months ended 30 September 2023 (three and six months ended 30 September 2022: 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 and six months ended 30 September 2022: MOP600,000) is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% (three and six months ended 30 September 2022: 12%) for the three and six months ended 30 September 2023.

No provision for UK Corporation tax is required as the UK subsidiary did not generate any assessable profits for the three and six months ended 30 September 2023 (three and six months ended 30 September 2022: Nil).

7. LOSS FOR THE PERIOD

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation				
— Owned assets	49	—	97	—
Staff costs (including Directors' emoluments)				
— Salaries, bonus and allowances and other benefits in kind	8,018	7,120	15,782	13,425
— Commission	136	104	280	185
— Retirement benefits scheme contributions	435	319	853	673
	8,589	7,543	16,915	14,283
Cost of inventories sold	3,384	3,412	6,489	7,072
Foreign exchange gain, net	(24)	(68)	(174)	(127)
Auditor's remuneration	138	126	280	254
Impairment loss on right-of-use assets	—	502	—	502
Impairment loss on property, plant and equipment	530	13	1,785	13

8. DIVIDEND

No dividend was declared or paid during the six months ended 30 September 2023 (2022: 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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Loss for the purpose of calculating basic loss per share	<u>(3,932)</u>	<u>(6,003)</u>	<u>(10,733)</u>	<u>(7,935)</u>
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>	<u>800,000,000</u>	<u>800,000,000</u>

(b) Diluted loss per share

No diluted loss per share to be presented as the Company did not have any dilutive potential ordinary shares outstanding during the three and six months ended 30 September 2023 and 2022.

10. TRADE RECEIVABLES

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
From third parties	11,075	11,277
Less: allowance for doubtful debts	<u>(697)</u>	<u>(697)</u>
	10,378	10,580
From related parties	<u>186</u>	<u>–</u>
	<u>10,564</u>	<u>10,580</u>

Analysis of trade receivables due from related parties:

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Long Yield Company Limited (“Long Yield”)	162	–
SoHo Business Center Limited (“SoHo”)	24	–
	<u>186</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).

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 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
0 to 90 days	6,722	6,173
91 to 180 days	1,402	759
181 to 365 days	1,745	1,500
Over 365 days	695	2,148
	<u>10,564</u>	<u>10,580</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 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
0 to 30 days	630	221
31 to 60 days	924	150
Over 60 days	1,241	2,013
	<u>2,795</u>	<u>2,384</u>

12. SHARE CAPITAL

	Number of ordinary shares	
	<i>Per share</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 31 March 2023 (audited),		
1 April 2023 and 30 September 2023 (unaudited)	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
As at 31 March 2023 (audited),		
1 April 2023 and 30 September 2023 (unaudited)	<u>800,000,000</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 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.

14. CONTINGENT LIABILITIES

At 30 September 2023, 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

	Note	Three months ended 30 September		Six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Sales of goods to related companies:					
— Long Yield	(i)	<u>10</u>	<u>39</u>	<u>18</u>	<u>62</u>
		<u>10</u>	<u>39</u>	<u>18</u>	<u>62</u>
Services rendered to related companies:					
— Long Yield	(i), (ii)	<u>83</u>	<u>26</u>	<u>83</u>	<u>57</u>
— SoHo	(i), (ii)	<u>—</u>	<u>16</u>	<u>—</u>	<u>32</u>
		<u>83</u>	<u>42</u>	<u>83</u>	<u>89</u>
Rental expenses paid to a related company:					
— Brilliant Capital Resources Limited (“Brilliant”)	(i), (iii)	<u>450</u>	<u>450</u>	<u>900</u>	<u>900</u>
		<u>450</u>	<u>450</u>	<u>900</u>	<u>900</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 directors of Long Yield.
- (iii) Mr. Tony Yuen and Ms. Pauline Yuen are able to exercise significant influence over SoHo.
- (iv) Mr. Tony Yuen and Ms. Pauline Yuen are able to exercise control over Brilliant.

(b) **Key management compensation**

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

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries, bonus and allowances and other benefits in kind	1,242	1,847	2,484	3,046
Retirement benefits scheme contributions	17	18	34	36
	<u>1,259</u>	<u>1,865</u>	<u>2,518</u>	<u>3,082</u>

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 biometrics identification devices, security products, and other 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 2023 was approximately HK\$21.5 million, representing an increase of approximately 0.5% from approximately HK\$21.4 million for the six months ended 30 September 2022. The increase in revenue was mainly attributable to the increase in sales of biometrics identification devices, security products and other accessories and provision of auxiliary and other services as compared with the corresponding period in 2022.

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	
	2023	2022
	HK\$'000	HK\$'000
Sales of biometrics identification devices, security products and other accessories	14,090	14,001
Provision of auxiliary and other services	7,379	7,353
	21,469	21,354

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.

Considering the decrease in market demand and the uncertainties brought by the novel coronavirus disease (COVID-19) in the PRC, the Group has decided to suspend the plan to launch affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in the Southern China, and has planned to reallocate part of the unutilised net proceeds from the Listing to other business plans, namely (i) enhancement of the quality of after-sales services and strengthening of the operation support; (ii) improving the information technology system; (iii) research and development on touchless biometrics identification devices and Artificial Intelligence and Internet of Thing (“AIoT”); and (iv) working capital.

The Group has observed that there has been a change of market trend from touch biometrics identification devices to touchless biometrics identification devices due to increased public health awareness under the COVID-19 pandemic. As such, the Group plans to apply part of the unutilised net proceeds from the Listing for research and development on touchless biometrics identification devices and AIoT. The Group plans to diversify the functions of its touchless biometrics identification devices and their applications by utilising AIoT in order to capture the market of touchless biometrics identification devices with healthcare-related functions. Looking forward, the Board takes the view that AIoT and its functions can be applied in many different scenarios that the Group’s biometrics identification devices can be involved. The Group plans to capture and develop new markets in light of the growing popularity and application of AIoT in daily life.

FINANCIAL REVIEW

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 decreased by approximately 8.5% to approximately HK\$6.5 million for the six months ended 30 September 2023 (six months ended 30 September 2022: approximately HK\$7.1 million). The gross profit margin raised from approximately 34.6% for the six months ended 30 September 2022 to approximately 48.7% for the six months ended 30 September 2023. The gross profit also raised from approximately HK\$7.4 million for the six months ended 30 September 2022 to approximately HK\$10.5 million for the six months ended 30 September 2023. The increase in gross profit and gross profit margin was mainly due to the decrease in direct cost incurred by the operation of the software development centre in the PRC.

Expenses

Staff costs for the six months ended 30 September 2023 was approximately HK\$16.9 million (2022: approximately HK\$14.3 million), representing an increase of approximately HK\$2.6 million as compared with that of last corresponding period, which was mainly due to the increase in the number of employees and salary increment during the period.

Administrative expenses for the six months ended 30 September 2023 was approximately HK\$16.9 million (2022: approximately HK\$12.7 million), representing an increase by approximately HK\$4.2 million as compared with the last corresponding period, which was mainly due to the increase in staff costs and impairment loss on property, plant and equipment.

Loss for the Period

The Group incurred a net loss of approximately HK\$10.8 million for the six months ended 30 September 2023, as compared with a net loss of approximately HK\$7.9 million for the six months ended 30 September 2022. The increase in net loss was mainly due to (i) the increase in selling and distribution costs; (ii) the increase in staff costs; and (iii) the increase in impairment loss on property, plant and equipment.

The Board does not recommend the payment of dividends for the six months ended 30 September 2023.

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 the GEM, the Group is in a healthy financial position to expand its core business and to achieve its business objectives. As at 30 September 2023, the Group had bank borrowings of approximately HK\$1.0 million (30 September 2022: Nil). The Group requires cash primarily for working capital needs. As at 30 September 2023, the Group had approximately HK\$8.9 million in bank and cash balances (31 March 2023: approximately HK\$17.9 million).

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$1.8 million for the six months ended 30 September 2023 (six months ended 30 September 2022: approximately HK\$0.1 million).

Capital Commitments

The Group did not have any significant capital commitments as at 30 September 2023 (as at 31 March 2023: Nil).

Gearing Ratio

The Group's gearing ratio increased from 0% as at 31 March 2023 to approximately 4.2% as at 30 September 2023, mainly due to the Group's bank loans.

Note: Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank borrowings and finance lease obligations.

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”), Macau Pataca (“MOP”) and Great British Pound (“GBP”). 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 European dollars (“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 2023.

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 2023 nor material acquisitions and disposals of subsidiaries during the six months ended 30 September 2023. 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 2023, there is no charges over assets of the Group (as at 31 March 2023: Nil).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

Employees and Remuneration Policies

As at 30 September 2023, the Group had a total of 79 employees. The Group's staff costs for the six months ended 30 September 2023 amounted to approximately HK\$16.9 million (six months ended 30 September 2022: approximately HK\$14.3 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 of the Company was adopted pursuant to a resolution passed by the Company's shareholders on 18 January 2018 for the primary purpose is to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. Eligible participants of the Scheme include any employees, any executives Directors, non-executive Directors (including independent non-executive Directors), advisors, consultants of the Company or any of its subsidiaries.

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

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. Among the Net Proceeds, a sum of approximately HK\$15.8 million (the “**Remaining Net Proceeds**”) was originally planned for launching affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in the Southern China. However, such Remaining Net Proceeds have not been utilised and the Group has decided to suspend the plan to launch affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in the Southern China, and has planned to reallocate the relevant utilised net proceeds to other business plans, namely (i) enhancement of the quality of after-sales services and strengthening of the operation support; (ii) improving the information technology system; (iii) research and development on touchless biometrics identification devices and AIoT; and (iv) working capital. For details of the change in use of proceeds, please refer to the announcement of the Company dated 2 December 2022 (the “**Announcement**”). Set out below is the actual usage of net proceeds up to the date of this announcement:

	Original allocation of Net Proceeds as stated in the Prospectus <i>HK\$ million</i>	Utilised Net Proceeds as at the date of the Announcement <i>HK\$ million</i>	Unutilised Net Proceeds as at the date of the Announcement <i>HK\$ million</i>	Revised allocation of the unutilised according to the Announcement <i>HK\$ million</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Expected timeline for fully utilising the unutilised amount
Expanding the business in 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)	-	3.0	1.3	Before 31 March 2025
Improving the information technology system	5.0	(5.0)	-	3.0	1.5	Before 31 March 2025
Setting up a new and separate software development center in the PRC to further enhance and develop the Group’s software	15.2	(15.2)	-	-	-	-
Research and development on touchless biometrics identification devices and Artificial Intelligence & Internet of Things	-	-	-	6.8	2.6	Before 31 March 2026
Working capital	3.4	(3.4)	-	3.0	-	
	<u>44.5</u>	<u>(28.7)</u>	<u>15.8</u>	<u>15.8</u>	<u>5.4</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) enhancing the quality of aftersales services and strengthening the operation support as part of the expansion plan of the business in the Southern China; (ii) improving the information technology system; (iii) setting up a new and separate software development centre in the PRC to further enhance and develop the Group's software; and (iv) research and development on touchless biometrics identification devices and AIoT.

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 to other business plans of the Company. As disclosed in this announcement and the Announcement, due to the reasons disclosed in the Announcement, the Group has decided to suspend the plan to launch affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in the Southern China, and has planned to reallocate the relevant utilised net proceeds to other business plans.

The Group had planned to use approximately HK\$8.1 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 30 September 2023, a total of approximately HK\$6.8 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\$8.0 million of net proceeds to improve the information technology system. As at 30 September 2023, a total of approximately HK\$6.5 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 2023, a total of approximately HK\$15.2 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\$6.8 million of net proceeds to research and development on touchless biometrics identification devices and AIoT. As at 30 September 2023, a total of approximately HK\$4.2 million was spent on research and development on touchless biometrics identification devices and AIoT.

The Group had planned to use approximately HK\$6.4 million of net proceeds to working capital. As at 30 September 2023, a total of approximately HK\$6.4 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 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 C.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 C.2.1 is appropriate in such circumstance.

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

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 2023, 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 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 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	108,000,000 (L)	13.5%
Ms. Yuen Mei Ling, Pauline ("Ms. Pauline Yuen") (note 2)	Interest of controlled corporation	108,000,000 (L)	13.5%
Mr. Hui Cho Lung	Beneficial owner	39,100,000 (L)	4.89%

Notes:

- The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
- As at 30 September 2023, Delighting View Global Limited ("**Delighting View**") directly holds 108,000,000 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 Share held by Delighting View under the SFO.

Delighting View and Primary Group International Limited ("**Primary Group**") entered into a sale and purchase agreement on 19 April 2023 for the sale and purchase of 206,000,000 Shares (the "**Transaction**"). As at the date of this announcement, the sale and purchase of 98,000,000 Shares has been completed, whereas the sale and purchase of the remaining 108,000,000 Shares will not proceed. Accordingly, as of the date of this announcement, the number of shares that each of Mr. Tony Yuen and Ms. Pauline Yuen is interested in with the nature of interest of controlled corporation is 108,000,000 (long position), representing approximately 13.50% of the Company's issued share capital. For details of the Transaction, please refer to the Company's announcements dated 21 April 2023, 12 June 2023 and 4 July 2023.

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 September 2023, 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	108,000,000 (L)	13.5%
Mr. Yao Han ("Mr. Yao") (note 3)	Beneficial owner	131,785,000 (L)	16.47%
Ms. Jian Yanmei ("Ms. Jian") (note 3)	Interest of spouse	131,785,000 (L)	16.47%
Primary Group International Limited ("Primary Group") (note 4)	Beneficial owner	98,000,000 (L)	12.25%
Ms. Ren Zixuan ("Ms. Ren") (note 4)	Interest of controlled corporation	98,000,000 (L)	12.25%

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.

Delighting View and Primary Group entered into a sale and purchase agreement on 19 April 2023 for the sale and purchase of 206,000,000 Shares (the “**Transaction**”). As at the date of this announcement, the sale and purchase of 98,000,000 Shares has been completed, whereas the sale and purchase of the remaining 108,000,000 Shares will not proceed. Accordingly, as of the date of this announcement, the number of shares that each of Mr. Tony Yuen and Ms. Pauline Yuen is interested in with the nature of interest of controlled corporation is 108,000,000 (long position), representing approximately 13.50% of the Company’s issued share capital. For details of the Transaction, please refer to the Company’s announcements dated 21 April 2023, 12 June 2023 and 4 July 2023.

3. Ms. Jian is Mr. Yao’s spouse and is therefore deemed to be interested in all Shares held by Mr. Yao under the SFO.
4. Primary Group is beneficially owned as to 100% by Ms. Ren. Ms. Ren is deemed to be interested in all the Shares held by Primary Group 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 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 2023.

COMPETING INTERESTS

The Directors confirm that as at 30 September 2023, 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.

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 D.3.3 and D.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. Poon Wai Hung Richard and Mr. Wong Ching Wan.

The unaudited condensed consolidated financial statements of the Company for the three and six months ended 30 September 2023 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
懶豬科技集團有限公司
Mr. Yuen Kwok Wai, Tony
Chairman

Hong Kong, 10 November 2023

As at the date of this announcement, the executive Directors are Mr. Yuen Kwok Wai, Tony, Ms. Yuen Mei Ling, Pauline, Mr. Mui Pak Kuen and Mr. Hui Cho Lung; the non-executive Directors are Mr. Yam Chiu Fan, Joseph and Ms. Leung Wai Hing, Ella; and the independent non-executive Directors are Mr. Chung Billy, Mr. Poon Wai Hung Richard and Mr. Wong Ching Wan.

This announcement will remain on the “Latest Listed Company Information” page of The Stock Exchange of Hong Kong Limited’s website at <http://www.hkexnews.hk> for at least seven days after the date of publication and on the website of the Company at www.primeintelligence.com.hk.