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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: 8379)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

CHARACTERISTICS OF THE 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 the 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.*

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

The Board of Directors (the “**Board**”) 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 nine months ended 31 December 2018 together with the unaudited and audited comparative figures for the corresponding periods in 2017 as follows:

		Three months ended 31 December		Nine months ended 31 December	
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	11,656	18,866	37,113	54,224
Cost of sales		(6,235)	(8,266)	(18,920)	(21,831)
Gross profit		5,421	10,600	18,193	32,393
Other income	4	233	20	537	236
Selling and distribution costs		(2,140)	(1,408)	(4,890)	(3,902)
Administrative expenses		(5,602)	(5,327)	(15,659)	(17,026)
Profit/(loss) from operation		(2,088)	3,885	(1,819)	11,701
Finance costs		(8)	(15)	(28)	(71)
Profit/(loss) before tax		(2,096)	3,870	(1,847)	11,630
Income tax expense	5	(65)	(710)	(364)	(2,652)
Profit/(loss) for the period	6	(2,161)	3,160	(2,211)	8,978
Other comprehensive income for the period, net of tax:					
Item that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		4	201	(283)	434
Total comprehensive income for the period attributable to the owners of the Company		(2,157)	3,361	(2,494)	9,412
(Loss)/earnings per share (cents)					
— Basic	8	(0.27)	0.53	(0.28)	1.5
— Diluted	8	(0.27)	0.53	(0.28)	1.5

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Legal reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total reserve <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2017 (audited)	—*	—	17,079	12	(688)	17,826	34,229	34,229
Total comprehensive income for the period (unaudited)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>434</u>	<u>8,978</u>	<u>9,412</u>	<u>9,412</u>
Balance at 31 December 2017 (unaudited)	<u>—</u>	<u>—</u>	<u>17,079</u>	<u>12</u>	<u>(254)</u>	<u>26,804</u>	<u>43,641</u>	<u>43,641</u>
Balance at 1 April 2018 (audited)	8,000	51,682	17,079	12	2	22,040	90,815	98,815
Total comprehensive income for the period (unaudited)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(283)</u>	<u>(2,211)</u>	<u>(2,494)</u>	<u>(2,494)</u>
Balance at 31 December 2018 (unaudited)	<u>8,000</u>	<u>51,682</u>	<u>17,079</u>	<u>12</u>	<u>(281)</u>	<u>19,829</u>	<u>88,321</u>	<u>96,321</u>

* Represents amount less than HK\$1,000

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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is located at Unit A, 6/F TLP132, Nos. 132–134 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange 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 and nine months ended 31 December 2018 are unaudited but have been reviewed by the audit committee of the Company (the “**Audit Committee**”). The unaudited condensed consolidated financial statements were approved for issue by the Directors on 4 February 2019. The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which in collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKAS**”) and Interpretations issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The unaudited condensed consolidated results have been prepared under the historical cost convention. The unaudited condensed consolidated results of the Group for the three and nine months ended 31 December 2018 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 2018 (the “**2018 Consolidated Financial Statements**”). Except as described in paragraph headed “**Change in accounting policies**” 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 2018 Consolidated Financial Statements.

The unaudited condensed consolidated financial statements of the Group are presented in Hong Kong dollars, which is the functional currency of the Company.

Change in Accounting Policies

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2018. The Group has initially adopted HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” from 1 April 2018. The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are yet to be effective.

Change in Accounting Policies

HKFRS 9 — Financial Instruments

The Group has applied HKFRS 9 “**Financial Instruments**” on 1 April 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss (“**FVTPL**”) replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. Under HKFRS 9, it is no longer necessary for a loss event to occur before an impairment loss is recognized.

The application of the expected credit loss model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group’s trade receivables measured at amortised cost. However, the adoption of HKFRS 9 has no material effect on the Group’s unaudited condensed consolidated financial statements as the credit quality of the financial assets of the Group does not change significantly for the nine months ended 31 December 2018.

HKFRS 15 — Revenue from Contracts with Customers

The Group has applied HKFRS 15 “Revenue from Contracts with Customers” on 1 April 2018. This new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 has superseded existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations. As a result, the Group has changed its accounting policy in the unaudited condensed consolidated financial statements for revenue recognition as detailed below.

The Group elects to use the modified retrospective approach which means that the cumulative effect of the adoption of HKFRS 15 will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

Under HKFRS 15, the Group recognises the revenue from provision of auxiliary and other services when the performance obligation is satisfied over time and measures the progress towards complete satisfaction in accordance with the output method while the customer obtains control of the promised good or service in the contract.

The adoption of HKFRS 15 has no material effect on the adjustments to the opening balance of the retained earnings at 1 April 2018 in the unaudited condensed consolidated statement of changes in equity and the amounts recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

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 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of biometrics identification devices, security products and other accessories	7,939	13,064	25,454	36,542
Provision of auxiliary and other services	3,717	5,802	11,659	17,682
	<u>11,656</u>	<u>18,866</u>	<u>37,113</u>	<u>54,224</u>

4. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income	202	1	482	3
Gain on disposals of property, plant and equipment	–	1	20	211
Others	31	18	35	22
	<u>233</u>	<u>20</u>	<u>537</u>	<u>236</u>

5. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Provision for the period:				
Hong Kong Profits Tax	65	635	364	2,486
Macao Complementary Tax	–	75	–	166
	<u>65</u>	<u>710</u>	<u>364</u>	<u>2,652</u>

Hong Kong Profits Tax is provided at 16.5% (three and nine months ended 31 December 2017: 16.5%) based on the estimated assessable profits arising in or derived from Hong Kong.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Tax Amendment”), which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK\$2 million will continue to be subject to the tax rate of 16.5%. The two-tiered profits tax regime is only applicable to one of the Group’s HK subsidiary under the “Connected Entities” concept as stipulated in the Tax Amendment.

For the Group's subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25.0% (three and nine months ended 31 December 2017: 25.0%). No PRC Enterprise Income Tax has been provided for the three and nine months ended 31 December 2018 (three and nine months ended 31 December 2017: Nil) as the Group's PRC subsidiary either did not generate any assessable profits or has sufficient tax losses brought forward to offset against its assessable profits generated during the reporting periods.

For the Group's subsidiary established and operated in Macau is subject to Macao Complementary Tax, under which taxable income of up to MOP600,000 is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12.0% for the three and nine months ended 31 December 2017. For the three and nine months ended 31 December 2018, Macao Complementary Tax has been provided at the rate of 12.0% on the estimated taxable income of the Group's Macau subsidiary.

6. PROFIT/(LOSS) FOR THE PERIOD

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	233	143	738	441
Staff costs (including Directors' emoluments)				
— Salaries, bonus, allowances and other benefits in kind	8,542	4,334	15,676	12,892
— Commission	158	77	543	926
— Retirement benefits scheme contributions	379	272	873	778
	9,079	4,683	17,092	14,596
Cost of inventories sold	4,512	6,613	14,019	17,228
Foreign exchange losses, net	31	42	173	68
Gain/(loss) on disposals of property, plant and equipment	—	(1)	20	(211)
Listing expenses	—	1,114	—	4,913
Auditor's remuneration	125	125	399	375

7. DIVIDEND

No dividend was declared or paid during the three and nine months ended 31 December 2018 (three and nine months ended 31 December 2017: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the following:

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	(2,161)	3,160	(2,211)	8,978

Number of shares

Weighted average number of
ordinary shares for the purpose of
calculating basic (loss)/earnings
per share (*note*)

<u>800,000,000</u>	<u>600,000,000</u>	<u>800,000,000</u>	<u>600,000,000</u>
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Note: The weighted average number of ordinary shares in issue during the three and nine months ended 31 December 2017 was calculated based on the assumption that 600,000,000 ordinary shares, being the number of shares in issue immediately after the completion of share capitalisation on 18 January 2018, deemed to have been issued. Details of the share capitalisation issue are set out in note 29(b) to the 2018 Consolidated Financial Statements.

(b) Diluted (loss)/earnings per share

No diluted earnings per share to be presented as the Company did not have any dilutive potential ordinary shares outstanding during the three and nine months ended 31 December 2018 and 2017.

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 nine months ended 31 December 2018 was approximately HK\$37.1 million, representing a decrease of approximately 31.5% from approximately HK\$54.2 million for the nine months ended 31 December 2017. The decrease in revenue was mainly because the decrease in sales of biometrics identification devices and other accessories, in particular, the handheld devices as compared with the corresponding period in 2017.

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

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of biometrics identification devices, security products and other accessories	7,939	13,064	25,454	36,542
Provision of auxiliary and other services	3,717	5,802	11,659	17,682
	<u>11,656</u>	<u>18,866</u>	<u>37,113</u>	<u>54,224</u>

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was costs of inventories sold. The Group's costs of inventories sold decreased by approximately 18.6% to approximately HK\$14.0 million for the nine months ended 31 December 2018 as compared to the same period last year. The gross profit margin dropped from approximately 59.7% for the nine months ended 31 December 2017 to approximately 49.0% for the nine months ended 31 December 2018. The gross profit also dropped from approximately HK\$32.4 million for the nine months ended 31 December 2017 to approximately HK\$18.2 million for the nine months ended 31 December 2018. The decrease of gross profit margin and gross profit was mainly due to the decrease of gross profit of handheld devices.

Expenses

Staff costs for the nine months ended 31 December 2018 were approximately HK\$17.1 million (nine months ended 31 December 2017: approximately HK\$14.6 million), representing an increase of approximately HK\$2.5 million as compared with that of last corresponding period, which was mainly due to the increase in average bonus and allowances during the period.

Administrative expenses for the nine months ended 31 December 2018 was approximately HK\$15.7 million (nine months ended 31 December 2017: approximately HK\$17.0 million), representing a decrease of approximately HK\$1.3 million as compared with the last corresponding period, which was mainly due to the net effect of increase in staff cost and decrease in listing expenses.

Loss for the Period

The Group incurred a net loss of approximately HK\$2.2 million for the nine months ended 31 December 2018, as compared with a net profit of approximately HK\$9.0 million for the nine months ended 31 December 2017. The decrease of net profit was mainly due to the decrease of over 25% in revenue generated from the sales of biometrics identification devices and other accessories, in particular, the handheld devices as compared with the corresponding period in 2017.

The Board does not recommend the payment of dividends for the nine months ended 31 December 2018.

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 the Listing by way of share offer pursuant to the Prospectus on (i) launching of affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in Southern China; (ii) enhancing the quality of after-sale services and strengthening of the operation support as part of the expansion plan of the business in Southern China; (iii) improving its information technology system; and (iv) setting up a new and separate software development center in the PRC to further enhance and develop the Group’s software.

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions

Ordinary share of the Company

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

Notes:

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

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company or their associates (as defined in the GEM Listing Rules) had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to be taken under the provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 December 2018, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions

Ordinary shares of the Company

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

Notes:

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

Save as disclosed above, as at 31 December 2018, 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 nine months ended 31 December 2018.

Competing Adviser's Interests

As at the date of this announcement, save and except for (i) the participation of Ample Capital Limited (the "**Compliance Adviser**") as the sponsor and Ample Orient Capital Limited as one of the underwriters and joint lead managers in relation to the Listing; and (ii) the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 25 January 2018, neither the Compliance Adviser, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) which is required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules.

Competing Interests

The Directors confirm that as at 31 December 2018, 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 the required standard of dealings (the "**Required Standard of Dealings**") as the code for securities transactions by the Directors on the guidelines 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 Required Standard of Dealings since the Listing up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company endeavours to maintain 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 of 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. Tony Yuen is the chairman and the chief executive officer of the Company. In view of 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.

AUDIT COMMITTEE

The Company has established 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. Mui Pak Kuen.

The unaudited condensed consolidated financial statements of the Company for the three and nine months ended 31 December 2018 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, 4 February 2019

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

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