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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 2020

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

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

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

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

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

The Board (the “**Board**”) of Directors (the “**Directors**”) 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 2020, together with the comparative figures for the corresponding periods in 2019, as follows:

| | | Three months ended 30 June | |
|--|--------------|-----------------------------------|--------------------|
| | | 2020 | 2019 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (unaudited) | (unaudited) |
| Revenue | 3 | 10,421 | 14,196 |
| Cost of sales and services rendered | | <u>(5,265)</u> | <u>(6,775)</u> |
| Gross profit | | 5,156 | 7,421 |
| Other income | 4 | 572 | 213 |
| Selling and distribution cost | | (930) | (1,185) |
| Administrative and other operating expenses | | <u>(4,880)</u> | <u>(5,362)</u> |
| (Loss)/profit from operation | | (82) | 1,087 |
| Finance cost | | <u>(41)</u> | <u>(63)</u> |
| (Loss)/profit before tax | | (123) | 1,024 |
| Income tax expense | 5 | <u>(240)</u> | <u>(386)</u> |
| (Loss)/profit for the period | 6 | <u>(363)</u> | <u>638</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>(34)</u> |
| Total comprehensive income for the period attributable to the owners of the Company | | <u>(363)</u> | <u>604</u> |
| (Loss)/earnings per share (HK cents) | | | |
| — Basic and diluted | 8 | <u>(0.05)</u> | <u>0.08</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to the owners of the Company | | | | | | | |
|---|---|----------------------------------|-----------------------------------|----------------------------------|---|-------------------------------------|----------------------------------|---------------------------------|
| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Merger reserve <i>HK\$'000</i> | Legal reserve <i>HK\$'000</i> | Foreign currency translation reserve <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total reserve <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
| Balance at 1 April 2019 (audited) | 8,000 | 51,682 | 17,079 | 12 | (271) | 18,393 | 86,895 | 94,895 |
| Impact on initial application of HKFRS 16 (unaudited) | - | - | - | - | - | (106) | (106) | (106) |
| Total comprehensive income for the period (unaudited) | - | - | - | - | (34) | 638 | 604 | 604 |
| Balance at 30 June 2019 (unaudited) | <u>8,000</u> | <u>51,682</u> | <u>17,079</u> | <u>12</u> | <u>(305)</u> | <u>18,925</u> | <u>87,393</u> | <u>95,393</u> |
| Balance at 1 April 2020 (audited) | 8,000 | 51,682 | 17,079 | 12 | (689) | 12,683 | 80,767 | 88,767 |
| Total comprehensive income for the period (unaudited) | - | - | - | - | - | (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> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempt company with limited liability under the Companies Law (as revised) of the Cayman Islands on 16 October 2015. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. 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 ("**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 2020 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 10 August 2020. 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 "**GEM Listing Rules**").

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

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

Changes in accounting policy and disclosures

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

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

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

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 | |
|---|-----------------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Sales of biometrics identification devices, security products and other accessories | 6,769 | 9,923 |
| Provision of auxiliary and other services | 3,652 | 4,273 |
| | 10,421 | 14,196 |
| | 10,421 | 14,196 |

| | Three months ended 30 June | |
|--|-----------------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Recognised at a point in time | 7,378 | 11,003 |
| Recognised over time | 3,043 | 3,193 |
| | 10,421 | 14,196 |
| | 10,421 | 14,196 |

4. OTHER INCOME

| | Three months ended 30 June | |
|----------------------------|-----------------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Interest income | 123 | 184 |
| Government subsidies | 320 | – |
| Foreign exchange gain, net | 76 | – |
| Others | 53 | 29 |
| | 572 | 213 |
| | 572 | 213 |

5. INCOME TAX EXPENSE

| | Three months ended 30 June | |
|---------------------------|----------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Provision for the period: | | |
| Hong Kong Profits Tax | <u>240</u> | <u>386</u> |

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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 2019: 25%). No PRC Enterprise Income Tax has been provided for the three months ended 30 June 2020 (three months ended 30 June 2019: Nil) as the Group’s PRC subsidiary did not generate any assessable profits during the reporting periods.

The Group’s subsidiary established and operated in the Macau Special Administrative Region of the PRC (the “**Macau**”) is subject to Macau Complementary Tax, under which taxable income of up to Macau Pataca (“**MOP**”) 600,000 for the three months ended 30 June 2020 (three months ended 30 June 2019: MOP600,000) is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% for the three months ended 30 June 2020 (three months ended 30 June 2019: 12%) for the reporting periods.

9. SHARE OPTION SCHEMES

Share Option Scheme

The share option scheme of the Company (the “**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 Scheme include any employees, any executives Directors, non-executive Directors (including independent non-executive Directors), advisers, 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 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 the Scheme were summarised in the paragraph headed “Share Option Scheme” in Appendix IV to the prospectus published by the Company in relation to the Listing. No share option has been granted, exercised, expired, cancelled or lapsed under the Scheme since its adoption and up to the date of this announcement.

10. EVENTS AFTER THE REPORTING PERIOD

On 30 June 2020, the engagement of Ample Capital Limited as the compliance adviser of the Company in compliance has been completed. Details of the above are set out in the Company’s announcement dated 3 July 2020.

The outbreak of the novel coronavirus disease 2019 (COVID-19) has affected the business and economic activities of the Group as well as the Group’s customers and suppliers to a certain extent. The overall financial effect cannot be reliably estimated as of the approval date of the subject unaudited consolidated financial statements of the Company. The Group will closely monitor the development of the novel coronavirus disease (COVID-19) and continue to evaluate its impact on the business, the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is a provider of biometrics identification solutions in Hong Kong, Macau and the PRC. The Group derives revenue from the following business activities: (i) sales of products which include biometrics identification devices, and other devices and accessories; and (ii) provision of auxiliary and other services. The Group's biometrics identification devices have one or more of the following functions: (i) face identification; (ii) fingerprint identification; (iii) finger vein identification; (iv) hand geometry identification; and (v) iris identification. The revenue of the Group for the three months ended 30 June 2020 was approximately HK\$10.4 million, representing a decrease of approximately 26.8% from approximately HK\$14.2 million for the three months ended 30 June 2019. The decrease in revenue was mainly attributable to the (i) decrease in sales of biometrics identification devices and other accessories by approximately HK\$3.2 million (or 31.6%) as compared with the corresponding period in 2019; (ii) decrease in revenue derived from provision of auxiliary and other service by approximately HK\$0.6 million (or 14.5%) as compared with the corresponding period in 2019 and (iii) the measures implemented by the governments of the PRC and Macau including locking down to control the rapid spread and reduce the scale of the infection of the novel coronavirus disease (COVID-19), which have impacted the usual business activities of the areas and disrupted the daily operations of the Group.

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

| | Three months ended 30 June | |
|--|-----------------------------------|--------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Sales of biometrics identification devices, security products and other accessories | 6,769 | 9,923 |
| Provision of auxiliary and other services | 3,652 | 4,273 |
| | 10,421 | 14,196 |

Cost of Sales and Services Rendered and Gross Profit

The majority of the Group's cost of sales and services rendered was cost of inventories sold. The Group's cost of inventories sold decreased by approximately 20.7% to approximately HK\$3.9 million for the three months ended 30 June 2020 (three months ended 30 June 2019: approximately HK\$4.9 million). The gross profit margin dropped from approximately 52.3% for the three months ended 30 June 2019 to approximately 49.5% for the three months ended 30 June 2020. The gross profit also dropped from approximately HK\$7.4 million for the three months ended 30 June 2019 to approximately HK\$5.2 million for the three months ended 30 June 2020. The decrease in gross profit margin and gross profit was mainly due to the increase in direct cost incurred by the operation of the new software development centre in the PRC.

Expenses

Staff cost for the three months ended 30 June 2020 was approximately HK\$5.6 million (three months ended 30 June 2019: approximately HK\$5.0 million), representing an increase of approximately HK\$0.6 million as compared with the last corresponding period, which was mainly due to the salary increment during the period.

Administrative expenses for the three months ended 30 June 2020 were approximately HK\$4.9 million (three months ended 30 June 2019: approximately HK\$5.4 million), representing a decrease of approximately HK\$0.5 million as compared with the last corresponding period, which was mainly due to the decrease in travelling and professional expenses.

(Loss)/Profit for the Period

The Group incurred a net loss of approximately HK\$0.4 million for the three months ended 30 June 2020, as compared with a net profit of approximately HK\$0.6 million for the three months ended 30 June 2019. The turnaround from profit to loss was primarily attributable to (i) the cost incurred in the setting up of a new and separate software development centre in the PRC to further enhance and develop the Group's software; (ii) decrease in sales of biometrics identification devices and other accessories, provision of auxiliary and other services; and (iii) the measures implemented by the governments of the PRC and Macau including locking down to control the rapid spread and reduce the scale of the infection of the novel coronavirus disease (COVID-19), which have impacted the usual business activities of the areas and disrupted the daily operations of the Group.

The Board does not recommend the payment of dividends for the three months ended 30 June 2020.

Outlook

The ordinary Shares of HK\$0.01 each have been successfully listed on GEM on 14 February 2018. The Board considers that such public listing status 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-sale services and strengthening the operation support as part of the expansion plan of the business in the Southern China; (iii) improving its information technology system; and (iv) setting up a new and separate software development centre in the PRC to further enhance and develop the Group's software.

With the social events in the past few months and the latest spread of the novel coronavirus disease (COVID-19) in Hong Kong, the Group plans to diversify its business to maintain a healthy portfolio. Leveraging on the experience of the Directors, the Group considers setting up new business lines including artificial intelligence technology solutions, catering management and trade services.

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 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 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 | 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:

- The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
- 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 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 and/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 2020, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares and/or debentures 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:

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 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, underlying Shares and/or debentures 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 2020.

COMPLIANCE ADVISER'S INTERESTS

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

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 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 to the GEM Listing Rules (the "**CG Code**") since the Listing and up to the date of this announcement.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. 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. Poon Wai Hung Richard.

The unaudited condensed consolidated financial statements of the Company for the three months ended 30 June 2020 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 2020

As at the date of this announcement, the executive Directors are Mr. Yuen Kwok Wai, Tony, Ms. Yuen Mei Ling, Pauline, Ms. Sun Ngai Chu, Danielle and Mr. Mui Pak Kuen; the non-executive Director is Mr. Yam Chiu Fan, Joseph; and the independent non-executive Directors are Mr. Hui Man Ho, Ivan, Mr. Chung Billy and Mr. Poon Wai Hung Richard.

This announcement will remain on the “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.