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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)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022 AND THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022; AND CHANGE IN USE OF PROCEEDS

References are made to (i) the prospectus issued by Prime Intelligence Solutions Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 January 2018 (the “**Prospectus**”) in relation to the listing of its shares on GEM of The Stock Exchange of Hong Kong Limited (the “**Listing**”); (ii) the annual report of the Company for the year ended 31 March 2022 (the “**2022 Annual Report**”) in which the use of proceeds from the Listing up to 31 March 2022 was disclosed; and (iii) the interim report of the Company for the six months ended 30 September 2022 (the “**2022 Interim Report**”) in which the use of proceeds from the Listing up to 30 September 2022 was disclosed.

This announcement is made to provide supplemental information to the paragraph under “Use of proceeds and actual progress of the Group’s business objectives” in the section headed “Management Discussion and Analysis” of the 2022 Annual Report and the 2022 Interim Report and an update on the change in use of proceeds.

CHANGE IN USE OF PROCEEDS AND EXPECTED TIMELINE

As disclosed in the 2022 Annual Report and the 2022 Interim Report, after deducting the underwriting fees and relevant expenses, the net proceeds from the Listing amounted to approximately HK\$44.5 million (the “**Net Proceeds**”). 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 been reviewing the needs and timeframe of the original intended usage of such Remaining Net Proceeds.

For reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds” below, the board (the “**Board**”) of the directors of the Company (the “**Directors**”) intends to change the use of the Remaining Net Proceeds by reallocating such Remaining Net Proceeds from launching 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. The table below sets out the original allocation of Net Proceeds, the utilised and unutilised Net Proceeds, the revised allocation of the unutilised Net Proceeds and the expected timeline for fully utilising the Net Proceeds:

	Original allocation of Net Proceeds as stated in the Prospectus, 2022 Annual Report and 2022 Interim Report <i>HK\$ million</i>	Utilised Net Proceeds <i>HK\$ million</i>	Unutilised Net Proceeds <i>HK\$ million</i>	Revised allocation of the unutilised Net Proceeds <i>HK\$ million</i>	Expected timeline for fully utilising the unutilised amount
Expanding the business in the Southern China					
— launch of affordable locally manufactured fingerprint identification devices	15.8	—	15.8	—	—
— enhancement of the quality of after-sales services and strengthening of the operation support	5.1	(5.1)	—	3.0	Before 31 March 2025
Improving the information technology system	5.0	(5.0)	—	3.0	Before 31 March 2025
Setting up a new and separate software development centre 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	Before 31 March 2026
Working capital	3.4	(3.4)	—	3.0	Before 31 March 2024
	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u>44.5</u>	<u>(28.7)</u>	<u>15.8</u>	<u>15.8</u>	

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

As disclosed in the Prospectus, in order to launch affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in the Southern China, the Group has planned to engage a local experienced original design manufacturer (“ODM”) to design and manufacture the biometrics identification devices according to the Group’s specifications.

However, the Group has been involving in protracted negotiation and continuous liaison with the local ODM in order to ensure that the quality of the biometrics identification devices to be designed and manufactured by the local ODM can meet the Group's requirements and standard. Moreover, since the outbreak and spread of the COVID-19 in 2020, there have been (i) decrease in demand for touch biometrics identification devices including fingerprint identification devices due to increased public health awareness; and (ii) strict preventive measures and restrictions implemented by the PRC and Hong Kong governments which seriously affected the travelling between the PRC and Hong Kong and created practical difficulties for the Group to liaise with and monitor the ODM in designing and manufacturing the fingerprint identification devices.

Further, in 2022, the COVID-19 rebounded in several major cities in the PRC and citywide or partial lockdowns were implemented in Shenzhen, Guangzhou, Shanghai and Beijing. In particular, lockdown has been implemented in Guangzhou since November 2022, which has already been the second lockdown in Guangzhou since 2022. Considering the decrease in market demand and the uncertainties brought by the development of the COVID-19 in the PRC, the Group has eventually 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 to adjust the use of proceeds appropriately to other business plans.

As stated in the Prospectus, in addition to launch of affordable locally manufactured fingerprint identification devices, the Net Proceeds of the Listing will also be used for other business plans of the Company such as enhancement of the quality of after-sales services and strengthening of the operation support, improving the information technology system and working capital. The Directors are of the view that these business plans will need further investments and as such, it will be an efficient allocation of the Company's resources by reallocating part of the Remaining Net Proceeds to these business plans.

The Directors are also of the view that it will be beneficial to the Company to apply part of the Remaining Net Proceeds of HK\$6.8 million for research and development on touchless biometrics identification devices and Artificial Intelligence & Internet of Things (“**AIoT**”) for the following reasons:

The COVID-19 pandemic has lasted for almost three years and it is generally believed that it will continue for at least a few years in the future. Under the pandemic, the Board 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. Therefore, instead of utilising the Remaining Net Proceeds for launching affordable locally manufactured fingerprint identification devices which are a type of touch biometrics identification devices, the Board believes that it is more beneficial to the Company to utilise part of the Remaining Net Proceeds for research and development on touchless biometrics identification devices and AIoT such as enhancing the development and technologies of our face identification devices and their applications.

Furthermore, since the outbreak of the COVID-19, there has been increased public health awareness and higher demand for touchless biometrics identification devices with healthcare-related functions. In order to capture the market of such devices, we plan to diversify the functions of our touchless biometrics identification devices and their

applications by utilising AIoT. For example, by utilising AIoT in face identification devices and their applications, human faces can be recognised even with face mask on and body temperature and/or other health parameters can be measured instantly.

The Board takes the view that in the long run, AIoT and its functions can be applied in many different scenarios that the Group's biometrics identification devices can be involved. For instance, utilising AIoT in our biometrics identification devices will enable users to capture, monitor and apply the data promptly or even in real time. The Board considers that research and development on touchless biometrics identification devices and AIoT will allow the Group to capture and develop new markets in light of the growing popularity and application of AIoT in daily life.

In view of the above reasons, the Directors consider that the change in the use of the Net Proceeds from the Listing can serve the purpose of achieving more effective deployment of the Group's financial resources and is in the interests of the Group and the shareholders of the Company as a whole.

The Board confirms that the above supplemental information does not affect other information contained in the 2022 Annual Report and the 2022 Interim Report and, save as disclosed above, the contents of the 2022 Annual Report and the 2022 Interim Report remain unchanged.

By order of the Board
Prime Intelligence Solutions Group Limited
懶豬科技集團有限公司
Yuen Kwok Wai, Tony
Chairman

Hong Kong, 2 December 2022

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. Chung Billy, Mr. Poon Wai Hung Richard and Mr. Wong Ching Wan.

This announcement, for which the Directors 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 of Hong Kong Limited 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 beliefs 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.

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