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CONFIDENCE INTELLIGENCE HOLDINGS LIMITED
信 懇 智 能 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1967)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (“**Directors**”) of Confidence Intelligence Holdings Limited (the “**Company**”) announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Interim Period**”), together with the comparative figures for the six months ended 30 June 2020.

FINANCIAL HIGHLIGHTS	Unaudited	
	six months ended 30 June	
	2021	2020
Revenue (<i>RMB'000</i>)	184,342	103,941
Gross profit (<i>RMB'000</i>)	28,645	20,765
Gross profit margin (%)	15.5	20.0
Profit for the period attributable to equity holders of the Company (<i>RMB'000</i>)	6,602	3,132
<i>Earnings per share attributable to equity holders of the Company</i>		
– Basic and diluted (<i>RMB cent</i>)	2.64	1.25

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	184,342	103,941
Cost of sales	5	(155,697)	(83,176)
Gross profit		28,645	20,765
Other income	6	2,330	2,569
Other gains/(losses), net	7	287	(2,694)
Selling and distribution expenses	5	(1,946)	(842)
Administrative expenses	5	(19,604)	(16,070)
Reversal of/(provision for) impairment losses on financial assets	5	36	(79)
Operating profit		9,748	3,649
Finance costs, net		(142)	(24)
Profit before income tax		9,606	3,625
Income tax expense	8	(2,201)	(493)
Profit for the period		7,405	3,132
Profit for the period attributable to:			
Equity holders of the Company		6,602	3,132
Non-controlling interest		803	–
		7,405	3,132
Earnings per share attributable to equity holders of the Company			
Basic and diluted (<i>RMB cents</i>)	9	2.64	1.25

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited	
	six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	7,405	3,132
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	(750)	1,914
Equity investments at fair value through other comprehensive income:		
– Fair value gains taken to reserves	407	–
– Disposal gains taken to reserves	1,049	–
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	48	12
	<hr/>	<hr/>
Total comprehensive income for the period	8,159	5,058
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period attributable to:		
Equity holders of the Company	7,356	5,058
Non-controlling interest	803	–
	<hr/>	<hr/>
	8,159	5,058
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2021

		Unaudited	Audited
		30 June	31 December
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		188,126	154,221
Intangible asset		1,497	1,478
Investment in an associate		–	–
Prepayments and deposits	11	1,590	1,530
Deferred tax assets		2,880	665
Financial assets at fair value through other comprehensive income		14,743	–
		208,836	157,894
Current assets			
Inventories		42,926	25,145
Contract assets	12	52,912	55,188
Trade and bills receivables	12	42,410	15,290
Prepayments, deposits and other receivables	11	5,903	7,228
Financial assets at fair value through profit or loss		–	5,001
Pledged bank deposits		316	14,557
Cash and cash equivalents		78,947	104,004
		223,414	226,413
Total assets		432,250	384,307
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		2,250	2,250
Share premium		98,676	98,676
Retained earnings		65,886	58,979
Reserves		126,671	126,222
		293,483	286,127
Non-controlling interest		8,107	5,804
Total equity		301,590	291,931

		Unaudited	Audited
		30 June	31 December
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		10,261	8,048
Lease liabilities		780	1,766
Deferred government grants		15,609	10,001
		<u>26,650</u>	<u>19,815</u>
Current liabilities			
Trade payables	13	38,072	18,482
Other payables and accruals	14	42,041	36,108
Contract liabilities	14	7,214	1,487
Bank borrowings		4,858	5,889
Lease liabilities		5,279	4,725
Deferred government grants		4,406	3,101
Current income tax liabilities		2,140	2,769
		<u>104,010</u>	<u>72,561</u>
Total liabilities		<u>130,660</u>	<u>92,376</u>
Total equity and liabilities		<u>432,250</u>	<u>384,307</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Confidence Intelligence Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 7 December 2018 as an exempted company with limited liability under the Companies Law Cap. 22, Law 3 of 1961 as consolidated and revised of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of electronic manufacturing service. The ultimate holding company of the Company is Skyflying Company Limited, a company incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Li Hao.

The condensed consolidated interim financial information (“**Interim Financial Information**”) is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (“**RMB’000**”), unless otherwise stated. The Interim Financial Information have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income (“**FVOCI**”) and financial asset at fair value through profit or loss (“**FVTPL**”) which have been measured at fair value.

This Interim Financial Information was approved for issue on 30 August 2021.

This Interim Financial Information has not been audited.

2. BASIS OF PRESENTATION

This Interim Financial Information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This Interim Financial Information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this Interim Financial Information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards. The accounting policy for financial assets at FVOCI is set out in Note 3.3. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3.2 Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3.3 Financial assets

3.3.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3.3.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments to be:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in 'Other gains/(losses), net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the condensed consolidated income statement.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in condensed consolidated income statement and presented net within 'Other gains/(losses), net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "Other gains/(losses), net" in the condensed consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.3.3 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

4. REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in the business of electronics manufacturing services ("EMS").

The chief operating decision-maker has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group has one reportable operating segment being the EMS.

The directors assess the performance of the operating segment based on a measure of revenue and gross profit.

During the six months ended 30 June 2021 and 2020, all the Group's revenues are from contracts with customers and are recognised over time.

(a) Segment revenue by customers' geographical location

The Group is domiciled in the People's Republic of China (the "PRC"). The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Unaudited six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
The PRC	183,970	103,919
The United States of America	372	22
	184,342	103,941

(b) **Non-current assets by geographical location**

As at 30 June 2021 and 31 December 2020, all of the Group's non-current assets were located in the PRC.

5. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and (reversal of)/provision for impairment losses on financial assets are analysed as follows:

	Unaudited	
	six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of raw materials and consumables used	65,233	38,917
Subcontracting charges	16,655	3,094
Employee benefit expenses and manpower service expenses, including directors' emoluments	52,742	27,807
Rental expenses of short-term leases in respect of:		
– Machineries	11,863	8,079
– Offices, warehouses, production plants and staff quarters	925	454
Utilities	2,750	2,138
Depreciation	18,039	11,926
Amortisation	358	–
Auditor's remuneration		
– Audit services	434	533
Professional fees	2,743	1,704
Provision for inventories	–	605
(Reversal of)/provision for impairment losses on financial assets	(36)	79
Other tax and surcharges	688	1,012
Transportation	182	234
Travelling expenses	840	300
Others	3,795	3,285
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, administrative expenses and (reversal of)/provision for impairment losses on financial assets	177,211	100,167
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER INCOME

	Unaudited	
	six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Government grants	2,330	2,569
	<hr/> <hr/>	<hr/> <hr/>

7. OTHER GAINS/(LOSSES), NET

	Unaudited	
	six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	–	(2,665)
Exchange differences	288	(525)
Fair value changes in financial assets at FVTPL	(1)	496
	<u>287</u>	<u>(2,694)</u>

8. INCOME TAX EXPENSE

Subsidiaries in the PRC are subject to corporate income tax (“CIT”) in accordance with the PRC CIT Law. According to the PRC CIT Law and the relevant regulations, the CIT tax rate applicable is 25% unless preferential rates are applicable in the cities where the subsidiaries are located.

If a subsidiary in the PRC is subject to CIT and qualified as High and New Technology Enterprise, the applicable CIT tax rate is 15%.

During the six months ended 30 June 2021 and 2020, Shenzhen Confidence Intelligence Electronic Co., Ltd, the Group’s subsidiary in the PRC has qualified for high and new technology enterprise status and is therefore subject to PRC CIT at a preferential income tax rate of 15%.

During the six months ended 30 June 2021, Chongqing Xinken Technology Company Limited* (重慶信懇科技有限公司), the Group’s subsidiary in the PRC is subject to CIT at an income tax rate of 25% on estimated assessable profit.

During the six months ended 30 June 2021 and 2020, no provision for Hong Kong profits tax has been made in the Interim Financial Information as the Group had no assessable profit in Hong Kong.

	Unaudited	
	six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current income tax		
– PRC CIT	4,416	1,114
Deferred tax	(2,215)	(621)
	<u>2,201</u>	<u>493</u>

9. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 and 2020.

	Unaudited six months ended 30 June	
	2021	2020
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	<u>6,602</u>	<u>3,132</u>
Weighted average number of ordinary shares in issue (<i>thousands of shares</i>)	<u>250,000</u>	<u>250,000</u>
Basic and diluted earnings per share (<i>RMB cents</i>)	<u>2.64</u>	<u>1.25</u>

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2021 and 2020.

10. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2021 and 2020.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 June 2021 <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
Current portion		
Prepayments to suppliers	396	2,758
Rental and other deposits (<i>Note</i>)	1,367	1,224
Value-added tax (“VAT”) receivable	4,035	3,240
Other receivables (<i>Note</i>)	<u>105</u>	<u>6</u>
	<u>5,903</u>	<u>7,228</u>
Non-current portion		
Prepayments for the acquisition of property, plant and equipment	1,360	1,314
Rental deposits (<i>Note</i>)	<u>230</u>	<u>216</u>
	<u>1,590</u>	<u>1,530</u>
	<u>7,493</u>	<u>8,758</u>

Note: As at 30 June 2021 and 31 December 2020, the carrying amounts of deposits and other receivables approximated their fair values.

12. CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2021 <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
Contract assets	53,018	55,294
Less: Provision for impairment of contract assets	<u>(106)</u>	<u>(106)</u>
	52,912	55,188
Trade receivables	41,723	15,310
Bills receivables	816	145
Less: Provision for impairment of trade receivables	<u>(129)</u>	<u>(165)</u>
Trade and bills receivables	<u>42,410</u>	<u>15,290</u>
Contract assets, trade and bills receivables	<u>95,322</u>	<u>70,478</u>

Contract assets represent the Group's rights to consideration for work completed but unbilled for its services. The contract assets are transferred to trade receivables when the rights become unconditional which generally takes one to three months.

As at 30 June 2021 and 31 December 2020, the carrying amounts of contract assets, trade and bills receivables approximated their fair values.

The Group's sales were generally on credit terms primarily from 30 to 90 days.

As at 30 June 2021 and 31 December 2020, the aging analysis of trade and bills receivables, based on invoice date, is as follows:

	Unaudited 30 June 2021 <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
1 to 3 months	39,673	14,348
Over 3 months	<u>2,866</u>	<u>1,107</u>
	42,539	15,455
Less: Provision for impairment of trade receivables	<u>(129)</u>	<u>(165)</u>
	<u>42,410</u>	<u>15,290</u>

13. TRADE PAYABLES

As at 30 June 2021 and 31 December 2020, the aging analysis of trade payables, based on invoice date, is as follows:

	Unaudited 30 June 2021 <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
Within 1 month	28,943	16,664
1 to 2 months	7,290	784
2 to 3 months	661	749
Over 3 months	1,178	285
	<hr/> 38,072 <hr/>	<hr/> 18,482 <hr/>

As at 30 June 2021 and 31 December 2020, the carrying amounts of trade payables approximated their fair values.

14. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2021 <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
Payable for operating expenses	5,991	3,094
Payable for acquisition of property, plant and equipment	17,896	10,476
VAT and other tax payables	5,890	5,358
Other payables	149	170
Accruals	12,115	17,010
Contract liabilities	7,214	1,487
	<hr/> 49,255 <hr/>	<hr/> 37,595 <hr/>

As at 30 June 2021 and 31 December 2020, the carrying amounts of other payables and accruals approximated their fair values.

BUSINESS REVIEW AND PROSPECTS

The Board of Company announce the unaudited interim results of the Group for the Interim Period to the shareholders of the Company.

Business Review

The Group is an EMS provider offering comprehensive assembling and production services of Printed Circuit Board Assembly (the “**PCBAs**”) in the PRC that integrate research and design, selection and procurement of raw materials, assembling of PCBAs, quality control, testing, logistics and after sales services.

The outbreak and the spread of the coronavirus disease (COVID-19) (the “**Novel Coronavirus Outbreak**”) at the beginning of 2020 has made the operating environment difficult and has created challenges to various industries in China. The negative impact brought by the Novel Coronavirus Outbreak had caused an adverse effect on the Group’s business in 2020, which caused a drop in revenue and profit of the Group for the six months ended 30 June 2020. With the Novel Coronavirus Outbreak in China was gradually under control, the economic in China gradually recovered in the second half year of 2020.

During the Interim Period, the Group’s revenue increased by approximately 77.4% from approximately RMB103.9 million for the six months ended 30 June 2020 to approximately RMB184.3 million for the Interim Period. The Group’s profit attributable to equity holders of the Company for the Interim Period increased by approximately 110.8% to approximately RMB6.6 million as compared with the Group’s profit of approximately RMB3.1 million for the corresponding period in 2020.

Prospects

Looking forward, it is expected the COVID-19 pandemic may still be fluctuating in China and the world, and the economy environment in China and the world remains uncertain and challenging. The Group is taking proactive measures and making active responses in an effort to sustain the business and actively diversify or expand our customer base and product base to broaden the sources of revenue and diversify business risk. The Group will keep more cautious on its spending and expansion to reduce finance risk. Also, the Group will continue to invest in our development of in-house capabilities and keep ourselves abreast of the development of latest technology advancement in our industries to secure more business opportunities. We will continue to strive a balance among the interests of shareholders, employees and customers, and pursue long-term and sustainable development for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue by customers' geographical location

The Group is domiciled in the PRC. The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
The PRC	183,970	103,919
The United States of America	372	22
	<u>184,342</u>	<u>103,941</u>

Revenue by Product Type

Based on the usage of the electronic products which incorporated with our PCBAs, our PCBAs can be broadly applied to electronic end products for three product categories, namely, telecommunication devices, industrial-use devices and IoT products. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product category for the Interim Period and the corresponding period in 2020 respectively:

	Revenue for the six months ended 30 June			% of total revenue for the six months ended 30 June		
	2021 RMB'000	2020 RMB'000	Change %	2021	2020	Change
PCBAs for						
Telecommunication devices	94,197	57,395	64.1	51.1	55.2	(4.1)
Industrial-use devices	5,738	7,768	(26.1)	3.1	7.5	(4.4)
IoT products	79,274	38,331	106.8	43.0	36.9	6.1
Others	5,133	447	1,048.3	2.8	0.4	2.4
Total	<u>184,342</u>	<u>103,941</u>	<u>77.4</u>	<u>100.0</u>	<u>100.0</u>	<u>-</u>

Our revenue generated from sales of PCBAs for telecommunication devices increased by approximately 64.1% from approximately RMB57.4 million for the six months ended 30 June 2020 to approximately RMB94.2 million for the Interim Period, primarily due to the dropped orders from our telecommunication devices customers for the six months ended 30 June 2020 caused by the Novel Coronavirus Outbreak at the beginning of 2020.

Our revenue generated from sales of PCBAs for industrial-use devices decreased by approximately 26.1% from approximately RMB7.8 million for the six months ended 30 June 2020 to approximately RMB5.7 million for the Interim Period, primarily due to the decreased orders from the customers of industrial-use devices.

Our Group recorded an increase in revenue derived from sales of PCBAs for IoT products by approximately 106.8% from approximately RMB38.3 million for the six months ended 30 June 2020 to approximately RMB79.3 million for the Interim Period, which was mainly attributable to that (i) the Group received more orders from new customers that have lower gross profit margins to enhance the Group's production utilisation rate; and (ii) orders from the existing customers gradually recovered after the COVID-19 Outbreak was under control in 2020.

Other revenue mainly include (i) PCBAs for automotive related devices; and (ii) the revenue generated from the sale of auxiliary and other materials. Other revenue increased significantly from RMB0.4 million for the six months ended 30 June 2020 to RMB 5.1 million for the Interim Period mainly due to the increased orders form the automotive related devices.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Interim Period was approximately RMB28.6 million, representing an increase of approximately RMB7.9 million or 37.9% as compared with approximately RMB20.8 million for the corresponding period in 2020. Overall gross profit margin decreased from 20.0% for the corresponding period in 2020 to 15.5% for the Interim Period.

	Gross profit for			Gross profit margin for		
	the six months ended 30 June			the six months ended 30 June		
	2021	2020	Change	2021	2020	Change
	RMB'000	RMB'000	(%)			(%)
PCBAs for						
Telecommunication devices	18,248	12,470	46.3	19.4	21.7	(2.3)
Industrial-use devices	1,096	1,550	(29.3)	19.1	20.0	(0.9)
IoT products	8,364	6,617	26.4	10.6	17.3	(6.7)
Others	937	128	632.0	18.3	28.6	(10.3)
	<u>28,645</u>	<u>20,765</u>	<u>37.9</u>	<u>15.5</u>	<u>20.0</u>	<u>(4.5)</u>
Total	<u>28,645</u>	<u>20,765</u>	<u>37.9</u>	<u>15.5</u>	<u>20.0</u>	<u>(4.5)</u>

PCBAs

The gross profit for PCBAs for telecommunication devices increased by approximately 46.3% to approximately RMB18.2 million for the Interim Period (six months ended 30 June 2020: approximately RMB12.5 million). The gross profit margin decreased to approximately 19.4% for the Interim Period (six months ended 30 June 2020: approximately 21.7%), which primarily due to that (i) the Group offered a lower unit selling price to the customers since the second half year of 2020 for the fierce competition; and (ii) increased subcontracting charges and staff cost.

The gross profit for PCBAs for industrial-use devices decreased by approximately 29.3% to approximately RMB1.1 million for the Interim Period (six months ended 30 June 2020: approximately RMB1.6 million). The gross profit margin slightly decreased to approximately 19.1% for the Interim Period (six months ended 30 June 2020: approximately 20.0%), which was mainly due to the decreased sales orders of industrial use devices and the increased price of raw materials caused by the global shortage of electronic components.

The gross profit for PCBAs for IoT products increased by approximately 26.4% to approximately RMB8.4 million for the Interim Period (six months ended 30 June 2020: approximately RMB6.6 million). The gross profit margin decreased to approximately 10.6% for the Interim Period (six months ended 30 June 2020: approximately 17.3%), which primarily due to the increased price of raw materials caused by the global shortage of electronic components in the Interim Period and the lower gross profit margin for the products from new customers.

Other Income

Other income of the Group for the Interim Period of approximately RMB2.3 million (six months ended 30 June 2020: approximately RMB2.6 million) mainly represented government grants received by the Group.

Other gains/(losses), net

Net other gains of approximately RMB0.3 million for the Interim Period (six months ended 30 June 2020: net losses of approximately RMB2.7 million) mainly represented exchange differences. Net losses for the six months ended 30 June 2020 mainly represented the loss on disposal of properties, plant and equipment, exchange differences and fair value gain on revaluation of financial assets at fair value through profit or loss. The fluctuation in the amount was mainly due to that the Group has disposed some idle and outdated equipment for the six months ended 30 June 2020.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) relevant employee benefit expenses; (ii) transportation costs; (iii) depreciation; and (iv) entertainment expenses and other expenses. For the Interim Period, selling and distribution expenses amounted to approximately RMB1.9 million (six months ended 30 June 2020: approximately RMB0.8 million), representing an increase of approximately 131.1% as compared to that for the six months ended 30 June 2020. The increase was mainly due the increased staff cost in the marketing department to achieve more business opportunities from customers. Selling and distribution expense ratio remained low at approximately 1.1% and 0.8% against revenue for the Interim Period and the six months ended 30 June 2020, respectively.

Administrative Expenses

Administrative expenses mainly represented (i) employment benefit expenses, (ii) depreciation, (iii) professional fee, (iv) rental expenses, (v) travelling expenses, (vi) utilities, (vii) telecommunication and office expenses and other expenses. For the Interim Period, administrative expenses amounted to approximately RMB19.6 million (six months ended 30 June 2020: approximately RMB16.1 million), representing an increase of approximately 22.0% as compared to that for the six months ended 30 June 2020. The increase was mainly due to (i) increased professional fees for the government grant received in the Interim Period; and (ii) increased employee benefit expense in the Interim Period.

Finance Costs, Net

Our finance costs mainly comprised interest expenses on bank and other borrowings and leases, while our finance income mainly represented interest income on our cash and cash equivalents. For the Interim Period, the net finance costs of the Group were approximately RMB0.1 million (six months ended 30 June 2020: approximately RMB0.02 million). The increase in net finance costs was mainly due to the increased average borrowing balances from approximately RMB5.8 million for the six months ended 30 June 2020 to approximately RMB14.5 million for the Interim Period.

Income Tax Expense

Income tax expense increased by approximately RMB1.7 million from approximately RMB0.5 million for the six months ended 30 June 2020 to approximately RMB2.2 million for the Interim Period, primarily due to the increase in profit before income tax of the Group's major subsidiary, Shenzhen Confidence. Shenzhen Confidence, our Group's subsidiary in the PRC, has qualified for new/high-tech technology enterprises status and is therefore subject to a preferential income tax rate of 15%. Our effective tax rate, which is calculated based on income tax expenses divided by profit before income tax, was approximately 22.9% for the Interim Period (six months ended 30 June 2020: approximately 13.6%). The increase in the effective tax rate for the Interim Period was due to the increased assessable profit arising from Chongqing Xinken Technology Company Limited* (重慶信懇科技有限公司), a subsidiary of the Group incorporated in 2020 and is subject to CIT at an income tax rate of 25% on estimated assessable profit.

Profit Attributable to Owners of the Company

As a result of the facts discussed above, profit attributable to equity holders of the Company increased by approximately RMB3.5 million from approximately RMB3.1 million for the six months ended 30 June 2020 to approximately RMB6.6 million for the Interim Period.

Liquidity and Capital Resources

Net Current Assets

The Group had net current assets of approximately RMB119.4 million as at 30 June 2021 (31 December 2020: approximately RMB153.9 million). The current ratio of the Group decreased from approximately 3.1 as at 31 December 2020 to 2.1 as at 30 June 2021.

Borrowing and the Pledge of Assets

The bank and other borrowings of the Group amounted to approximately RMB 15.1 million as at 30 June 2021 (31 December 2020: approximately RMB13.9 million). As at 30 June 2021 and 31 December 2020, the borrowings were secured by properties, plant and equipment and guarantee from the Company.

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 5.0% and 4.8% as at 30 June 2021 and 31 December 2020, respectively. During the Interim Period, our bank and other borrowings increased by approximately RMB1.2 million. The gearing remained low due to our low level of bank and other borrowings as well as the increase in our equity contributed by our profitable operations.

Capital Structure

The Shares were listed on the Stock Exchange on 18 October 2019 (the “**Listing Date**”). There has been no change in the capital structure of the Company since then. As at 30 June 2021, the number of issued shares of the Company was 250,000,000 ordinary shares of HK\$0.01 each.

Foreign Exchange Exposure and Exchange Rate Risk

The Group’s assets, liabilities and transactions are mainly denominated in Renminbi (“**RMB**”), Hong Kong dollar (“**HK\$**”) and United States dollar (“**USD**”). The Group is exposed to foreign currency risk arising from bank borrowing which is denominated in USD other than the respective functional currency of the entity. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Expenditure

For the Interim Period, the Group had capital expenditure of approximately RMB52.3 million (six months ended 30 June 2020: approximately RMB9.7 million). The capital expenditure was mainly related to the additions of plant and equipment for our new factory in ChongQing and factory in Shenzhen.

Interim Dividend

The Board does not recommend payment of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

Employees and Emoluments Policy and Training

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, bonuses and the Group's contribution to mandatory provident funds or state-managed retirement benefits scheme. Other benefits include share options to be granted under the Share Option Schemes. The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs to employees, which are identified annually by individual departments.

As at 30 June 2021, the Group had 945 employees with a total remuneration of approximately RMB52.7 million during the Interim Period (six months ended 30 June 2020: approximately RMB27.8 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

Use of Proceeds

Our business objectives and planned use of proceeds as stated in the Prospectus of the Company dated 28 September 2019 (the “**Prospectus**”) were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK\$91.9 million. From the Listing Date, being the date on which dealings in the Shares first commenced in the Stock Exchange, to 30 June 2021, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the prospectus	Actual net proceeds (HK\$ million)	Amount utilised up to 30 June 2021 (HK\$ million)	Remaining balance as at 30 June 2021 (HK\$ million)
Enhance our production capacity and efficiency	49.9	49.9	–
Enhance the level of automation in our quality control and packaging system	7.6	7.6	–
Strengthen our product design and enhancement capabilities in respect of our PCBAs applicable to telecommunication devices and IoT devices	5.9	0.8	5.1
Further strengthen our research and development capabilities	3.1	3.1	–
Strengthen our product testing capabilities for IoT products by setting up a cloud-based simulation platform	2.1	2.1	–
Upgrade our MES system and enhance our capabilities in information technology	3.1	1.8	1.3
Upgrade our existing intelligent warehouse	2.5	1.5	1.0
Repayment of bank loan and other borrowings	8.6	8.6	–
Working capital	9.1	7.6	1.5
	<u>91.9</u>	<u>83.0</u>	<u>8.9</u>

The unutilised net proceeds are expected to be used during the six months ending 31 December 2021. The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

The unutilised net proceeds have been placed with licensed banks in Hong Kong and PRC as interest-bearing deposits in accordance with the intention of the Board as disclosed in the Prospectus.

Capital Commitment

As at 30 June 2021, the Group's capital commitment amounted to approximately RMB9.8 million (31 December 2020: approximately RMB16.7 million). The capital commitment was mainly related to the acquisition of machinery and equipment to expand our production capacity and enhance our production efficiency.

Material Acquisitions, Disposals of Subsidiaries, Associates and Joint Ventures and Significant Investment

During the Interim Period, saved as disclosed in this announcement, there were no material acquisition, disposal of subsidiaries, associates and joint ventures or significant investment by the Group.

Contingent Liabilities

The Group did not have any contingent liabilities as of 30 June 2021 (31 December 2020: nil).

Subsequent Event After the Interim Period

As at 24 August 2021, the Company noticed that Regan Fund Management Company Limited ("Regan Fund") was interested in an aggregate of 25,188,000 Shares, representing 10.08% of the total number of issued Shares of the Company. As Regan Fund was then a substantial shareholder and a core connected person of the Company under the Listing Rules, the shares held by Regan Fund would not be counted towards the public float of the Company. Therefore, the public float of the Company is approximately 20.17%, which has fallen below 25% of the total number of issued shares of the Company to be held by the public as prescribed by Rule 8.08(1)(a) of the Listing Rules. Please refer to the announcement of the Company dated 24 August 2021 for detailed information.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the trust of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance codes to meet the legal and commercial standards by focusing on areas such as internal control, adequate disclosure and accountability to all shareholders.

The Company has adopted and complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the Interim Period except the following deviation:

CG Code provision A.2.1 stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. Mr. Li Hao is the chairman of the Board and the chief executive officer of our Group, which was deviated from the CG Code. However, having considered the nature and extent of our Group’s operations, Mr. Li Hao’s extensive experience in the industry, familiarity with the operations of our Group since its business operation, that all major decisions are made in consultation with members of our Board and relevant Board committees, and that there are three independent non- executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Li Hao taking up both roles. As such, the roles of the chairman and chief executive officer of our Group are not being separated pursuant to the requirement under code provision A.2.1 of the CG Code. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

SHARE OPTION SCHEME

A share option scheme was conditionally adopted on 20 September 2019 (the “**Share Option Scheme**”), which became effective on the Listing Date. The Share Option Scheme is a share incentive scheme and is established to recognise and motivate the contributions that the eligible participants had or may have made to the Group.

The Board may, at its absolute discretion, grant options to any employee (full-time or part-time), consultant or adviser of our Group, Directors, shareholder of our Group, or any supplier, customer, business partner or service provider of our Group (together, the “**Eligible Participants**” or each “**Eligible Participant**”).

Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 25,000,000 shares) unless approved by the shareholders of the Company. The 10% limited may be renewed by the shareholders of the Company in general meeting from time to time provided always that the 10% limited so renewed must not exceed 10% of the shares in issue at the date of approval of such renewal by the shareholders of the Company.

No option shall be granted to any Eligible Participants which, if exercised in full would result in the total number of the shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled, and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 10% in aggregate of the shares in issue as at the date of such grant.

Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption and the remaining life of the Share Option Scheme is approximately 8 years.

No share option has been granted under the Share Option Scheme up to the date of this announcement.

CONNECTED TRANSACTIONS

During the six months ended 30 June 2021, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of securities on the Stock Exchange (the “**Listing Rules**”) which are required to comply with any of the reporting, announcement or independent shareholders’ approval requirements under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Interim Period.

AUDITOR

PricewaterhouseCoopers, the auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

The Company established the Audit Committee on 20 September 2019 with terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules for the purpose of to making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide advice in respect of the financial reporting process, and to oversee the internal control procedures of our Group. The Audit Committee now comprises three members, all being independent non-executive Directors, namely, Mr. Wong Chun Sek Edmund (Chairman), Mr. Chen Zhong and Mr. Wu Tai Cheung.

The Audit Committee had reviewed the interim results of the Group for the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the Interim Period and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

As at 24 August 2021, the Company noticed that Regan Fund was interested in an aggregate of 25,188,000 Shares, representing 10.08% of the total number of issued Shares of the Company. As Regan Fund was then a substantial shareholder and a core connected person of the Company under the Listing Rules, the shares held by Regan Fund would not be counted towards the public float of the Company. Therefore, the public float of the Company is approximately 20.17%, which has fallen below 25% of the total number of issued shares of the Company to be held by the public as prescribed by Rule 8.08(1)(a) of the Listing Rules. Please refer to the announcement of the Company dated 24 August 2021 for detailed information .

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.szxinken.com>). The interim report of the Company for the six months ended 30 June 2021 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Confidence Intelligence Holdings Limited
Li Hao
Chairman & Executive Director

Hong Kong, 30 August 2021

As at the date of this announcement, the executive Directors are Mr. Li Hao, Mr. Zhang Bizhong and Mr. Xu Shizhen, the non-executive Director is Mr. Yuan Shuntang, and the independent non-executive Directors are Mr. Chen Zhong, Mr. Wong Chun Sek Edmund and Mr. Wu Tai Cheung.

* *For identification purpose only*