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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (“**Directors**”) of Confidence Intelligence Holdings Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020.

FINANCIAL HIGHLIGHT

	For the year ended 31 December	
	2021	2020
Revenue (<i>RMB'000</i>)	353,896	246,531
Gross profit (<i>RMB'000</i>)	53,980	50,408
Gross profit margin (%)	15.3	20.4
Profit for the year (<i>RMB'000</i>)	10,073	11,540
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic and diluted (<i>RMB cents</i>)	2.90	4.69

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	2021 RMB'000	2020 RMB'000
Revenue	3	353,896	246,531
Cost of sales	4	(299,916)	(196,123)
Gross profit		53,980	50,408
Other income	5	5,757	4,497
Other losses, net	6	(928)	(2,210)
Selling and distribution expenses	4	(3,366)	(2,477)
Administrative expenses	4	(42,311)	(36,223)
Impairment losses on financial assets and contract assets	4	(240)	(235)
Operating profit		12,892	13,760
Finance income	7	649	925
Finance costs	7	(1,216)	(1,002)
Finance costs, net		(567)	(77)
Profit before income tax		12,325	13,683
Income tax expense	8	(2,252)	(2,143)
Profit for the year		10,073	11,540
Profit/(loss) for the year attributable to:			
Equity holders of the Company		7,241	11,736
Non-controlling interest		2,832	(196)
		10,073	11,540
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic and diluted (<i>RMB cents</i>)	9	2.90	4.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RMB'000	RMB'000
Profit for the year	10,073	11,540
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	(1,711)	(4,290)
Equity investments at fair value through other comprehensive income:		
– Fair value losses taken to reserves	(5,173)	–
– Disposal gains taken to reserves	1,116	–
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	168	8
Exchange reserve released upon deregistration of a subsidiary	(43)	–
Total comprehensive income for the year	4,430	7,258
Total comprehensive income/(loss) for the year attributable to:		
Equity holders of the Company	1,598	7,454
Non-controlling interest	2,832	(196)
	4,430	7,258

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment	10	177,744	154,221
Intangible assets		1,278	1,478
Investment in an associate		–	–
Prepayments and deposits	11	3,186	1,530
Deferred tax assets		2,403	665
Financial assets at fair value through other comprehensive income		<u>8,369</u>	<u>–</u>
		<u>192,980</u>	<u>157,894</u>
Current assets			
Inventories	12	30,460	25,145
Contract assets	13	55,052	55,188
Trade and bills receivables	13	52,973	15,290
Prepayments, deposits and other receivables	11	3,286	7,228
Financial assets at fair value through profit or loss		–	5,001
Financial asset at amortised cost		16,080	–
Pledged bank deposits		1,695	14,557
Cash and cash equivalents		<u>48,926</u>	<u>104,004</u>
		<u>208,472</u>	<u>226,413</u>
Total assets		<u>401,452</u>	<u>384,307</u>
Equity			
Equity attributable to equity holders of the Company			
Share capital		2,250	2,250
Share premium		98,676	98,676
Retained earnings		65,632	58,979
Reserves		<u>121,167</u>	<u>126,222</u>
		287,725	286,127
Non-controlling interest		<u>10,136</u>	<u>5,804</u>
Total equity		<u>297,861</u>	<u>291,931</u>

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Liabilities			
Non-current liabilities			
Bank borrowings		7,703	8,048
Lease liabilities	14	7,553	1,766
Deferred government grants		15,999	10,001
Deferred tax liabilities		2,107	–
		<u>33,362</u>	<u>19,815</u>
Current liabilities			
Trade payables	15	17,499	18,482
Other payables and accruals	16	35,147	36,108
Lease liabilities	14	5,140	4,725
Contract liabilities	16	1,503	1,487
Current income tax liabilities		1,752	2,769
Deferred government grants		4,277	3,101
Bank borrowings		4,911	5,889
		<u>70,229</u>	<u>72,561</u>
Total liabilities		<u>103,591</u>	<u>92,376</u>
Total equity and liabilities		<u>401,452</u>	<u>384,307</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 Group is principally engaged in the provision of electronic manufacturing service (“**EMS**”). The ultimate holding company of the Company is Skyflying Company Limited (“**Skyflying Company**”), a company incorporated in the British Virgin Islands (“**BVI**”). The ultimate controlling party of the Group is Mr. Li Hao.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 18 October 2019.

These consolidated financial statements are presented in unit of Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (“**RMB’000**”), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss (“**FVTPL**”) and financial assets at fair value through other comprehensive income (“**FVOCI**”) which have been measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) Amended standards adopted by the Group

The Group has adopted the following amended standards for the first time for their annual reporting period commencing 1 January 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

(b) New and amended standards, interpretation and accounting guideline issued but not yet adopted by the Group

The following new and amended standards, interpretation and accounting guideline have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021	1 April 2021
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRSs 2018 to 2020	1 January 2022
Amendments to Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new or revised standards and amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards and amendments to existing HKFRSs.

3. REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in the provision of EMS.

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

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

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

During the years ended 31 December 2021 and 2020, all of the Group's revenues are from contracts with customers and are recognised over time.

(a) Segment revenue by customers' geographical location

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The PRC	353,615	246,036
The United States of America (the "USA")	281	183
Others	–	312
	<u>353,896</u>	<u>246,531</u>

(b) Details of contract liabilities

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract liabilities (<i>Note 16</i>)	<u>1,503</u>	<u>1,487</u>

Notes:

- (a) Contract liabilities represent advance payments received from the customers for services that have not been transferred to the customers. The contract liabilities fluctuated during the years ended 31 December 2021 and 2020 due to fluctuation in sales orders with advance payments.
- (b) During the years ended 31 December 2021 and 2020, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

(c) **Major customers**

Revenue from customers individually contributing over 10% of the total revenue of the Group is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	147,481	72,533
Customer B	100,224	54,358
Customer C	35,328	59,490
	<hr/>	<hr/>
Total	283,033	186,381
	<hr/> <hr/>	<hr/> <hr/>

The five largest customers accounted for approximately 87% of revenue for the year ended 31 December 2021 (31 December 2020: 89%).

(d) **Unsatisfied performance obligations**

As at 31 December 2021 and 2020, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction prices allocated to these unsatisfied performance obligations were not disclosed.

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

All of the Group's non-current assets were located in the PRC.

4 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and impairment losses on financial assets and contract assets are analysed as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of raw materials and consumables used (<i>Note 12</i>)	123,314	84,889
Subcontracting charges	27,276	15,231
Employee benefit expenses and manpower service expenses, including directors' emoluments	103,532	66,116
Rental expenses of short-term leases in respect of:		
– machineries (<i>Note 14(c)</i>)	24,383	19,655
– offices, warehouses, production plant and staff quarters (<i>Note 14(c)</i>)	3,467	1,770
Utilities	7,649	4,094
Depreciation (<i>Note 10</i>)	37,665	24,858
Amortisation	744	296
Auditor's remuneration		
– Audit services	1,701	1,779
Professional fees	5,682	4,520
(Reverse of)/impairment provision for inventories (<i>Note 12</i>)	(1,264)	1,176
Impairment losses on financial assets and contract assets	240	235
Other tax and surcharges	1,536	1,815
Transportation	301	587
Travelling expenses	1,579	669
Others	8,028	7,368
	<u>345,833</u>	<u>235,058</u>
Total cost of sales, selling and distribution expenses, administrative expenses and impairment losses on financial assets and contract assets	<u>345,833</u>	<u>235,058</u>

5 OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants	5,684	4,497
Others	73	–
	<u>5,757</u>	<u>4,497</u>

6 OTHER LOSSES, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss on disposal of property, plant and equipment	(1,580)	(2,665)
Exchange differences	610	(34)
Gain on exchange reserve released upon deregistration of a subsidiary	43	–
Fair value changes in financial assets at FVTPL	(1)	–
Gain on disposal of financial assets at FVTPL	–	489
	<u>(928)</u>	<u>(2,210)</u>

7. FINANCE COSTS, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance income		
Interest income on cash at banks	649	925
	-----	-----
Finance costs		
Interest expenses on		
– Bank borrowings	(889)	(570)
– Leases (<i>Note 14(b)</i>)	(327)	(432)
	-----	-----
	(1,216)	(1,002)
	-----	-----
Finance costs, net	<u>(567)</u>	<u>(77)</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 years ended 31 December 2021 and 2020, Shenzhen Confidence Intelligence Electronic Co., Ltd.* (“**Shenzhen Confidence**”) (深圳信懋智能電子有限公司), the Group’s major subsidiary in the PRC, was qualified for High and New Technology Enterprises status and is therefore subject to a preferential income tax rate of 15%.

During the years ended 31 December 2021 and 2020, no provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable profit in Hong Kong.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current income tax		
– PRC CIT	1,883	2,167
– Over-provision in prior year	–	(84)
	-----	-----
	1,883	2,083
Deferred income tax	<u>369</u>	<u>60</u>
	-----	-----
Income tax expense	<u>2,252</u>	<u>2,143</u>

	2021	2020
	RMB'000	RMB'000
Profit before income tax	<u>12,325</u>	<u>13,683</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	3,099	1,966
Tax effect of:		
Income not taxable	(56)	(76)
Expenses not deductible for tax purpose	1,489	1,583
Utilisation of previously unrecognised tax loss	(163)	–
Tax losses for which no deferred income tax asset was recognised	–	163
Over-provision in prior year	–	(84)
Super deductions from research and development expenditures (<i>Note (a)</i>)	<u>(2,117)</u>	<u>(1,409)</u>
Income tax expense	<u>2,252</u>	<u>2,143</u>

The weighted average applicable tax rate was 25.0% for the year ended 31 December 2021 (31 December 2020: 14.4%). The change is caused by a change in the profitability mix of the Group's subsidiaries in the respective applicable tax rate used.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxation profits is probable. As at 31 December 2021, the Group has no unrecognised tax losses (31 December 2020: unrecognised tax losses of a PRC subsidiary of approximately RMB651,000 to offset against future taxable income).

Note:

- (a) According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities are entitled to claim 150% to 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

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 years ended 31 December 2021 and 2020.

	2021	2020
Profit for the year attributable to equity holders of the Company (<i>RMB'000</i>)	7,241	11,736
Weighted average number of ordinary shares in issue (<i>thousands of shares</i>)	250,000	250,000
Basic and diluted earnings per share (<i>RMB cents</i>)	<u>2.90</u>	<u>4.69</u>

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2021 and 2020.

10. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets RMB'000	Furniture and fixtures RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2020								
Cost	16,637	1,025	2,775	173,566	1,714	2,548	–	198,265
Accumulated depreciation	(8,840)	(439)	(1,031)	(65,258)	(1,048)	(1,387)	–	(78,003)
Net book amount	<u>7,797</u>	<u>586</u>	<u>1,744</u>	<u>108,308</u>	<u>666</u>	<u>1,161</u>	<u>–</u>	<u>120,262</u>
Year ended 31 December 2020								
Opening net book amount	7,797	586	1,744	108,308	666	1,161	–	120,262
Additions	2,170	135	1,076	53,498	–	5,083	–	61,962
Depreciation	(3,804)	(277)	(991)	(17,522)	(302)	(1,962)	–	(24,858)
Disposals	–	–	–	(3,145)	–	–	–	(3,145)
Closing net book amount	<u>6,163</u>	<u>444</u>	<u>1,829</u>	<u>141,139</u>	<u>364</u>	<u>4,282</u>	<u>–</u>	<u>154,221</u>
At 31 December 2020								
Cost	18,807	1,160	3,851	212,931	1,714	7,631	–	246,094
Accumulated depreciation	(12,644)	(716)	(2,022)	(71,792)	(1,350)	(3,349)	–	(91,873)
Net book amount	<u>6,163</u>	<u>444</u>	<u>1,829</u>	<u>141,139</u>	<u>364</u>	<u>4,282</u>	<u>–</u>	<u>154,221</u>
Year ended 31 December 2021								
Opening net book amount	6,163	444	1,829	141,139	364	4,282	–	154,221
Additions	15,380	138	1,190	37,793	200	2,484	9,951	67,136
Depreciation	(8,390)	(287)	(1,231)	(23,326)	(337)	(3,897)	(197)	(37,665)
Transfer (<i>Note (a)</i>)	(633)	–	–	633	–	–	–	–
Disposals	–	–	–	(5,948)	–	–	–	(5,948)
Closing net book amount	<u>12,520</u>	<u>295</u>	<u>1,788</u>	<u>150,291</u>	<u>227</u>	<u>2,869</u>	<u>9,754</u>	<u>177,744</u>
At 31 December 2021								
Cost	19,238	1,298	5,041	238,577	1,914	10,115	9,951	286,134
Accumulated depreciation	(6,718)	(1,003)	(3,253)	(88,286)	(1,687)	(7,246)	(197)	(108,390)
Net book amount	<u>12,520</u>	<u>295</u>	<u>1,788</u>	<u>150,291</u>	<u>227</u>	<u>2,869</u>	<u>9,754</u>	<u>177,744</u>

Note:

- (a) The Group has exercised the purchase options and transferred certain assets from right-of-use assets to plant and machinery at the end of the lease terms.

During the years ended 31 December 2021 and 2020, depreciation expenses have been charged in cost of sales, selling and distribution expenses and administrative expenses as below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of sales	33,537	21,008
Selling and distribution expenses	–	23
Administrative expenses	4,128	3,827
	<u>37,665</u>	<u>24,858</u>

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current portion		
Prepayments to suppliers	480	2,758
Rental and other deposits (<i>Note (a)</i>)	854	1,224
Value added tax (“VAT”) receivable	414	3,240
Other receivables (<i>Note (a) and (b)</i>)	1,538	6
	<u>3,286</u>	<u>7,228</u>
Non-current portion		
Prepayments of acquisition of property, plant and equipment	2,719	1,314
Rental deposits (<i>Note (a)</i>)	467	216
	<u>3,186</u>	<u>1,530</u>

Notes:

- (a) As at 31 December 2021 and 2020, the carrying amounts of deposits and other receivables approximated their fair values. These balances were unsecured and interest free.
- (b) During the year ended 31 December 2021, the Group sold certain machinery to Shenzhen Puneda Electronic Co.,Ltd, which is a related company of the Group at a consideration of RMB4,268,000. The balance was not fully settled and the unsettled portion was recognised as other receivables as at 31 December 2021.

The carrying amounts of the Group's prepayments, deposits and other receivables were denominated in the following currencies:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
RMB	6,348	8,590
HK\$	124	168
	<u>6,472</u>	<u>8,758</u>

12. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	33,184	29,133
Less: impairment provision for inventories	<u>(2,724)</u>	<u>(3,988)</u>
	<u>30,460</u>	<u>25,145</u>

The cost of inventories recognised as expense and included in "cost of sales" during the years ended 31 December 2021 and 2020 amounting to approximately RMB123,314,000 and RMB84,889,000 respectively (Note 4).

A reverse of impairment provision for inventories amounting to approximately RMB1,264,000 was recognised in the consolidated income statement and included in "cost of sales" for the year ended 31 December 2021 (31 December 2020: impairment provision for inventories amounting to approximately RMB1,176,000) (Note 4).

13. CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract assets	55,158	55,294
Less: provision for impairment of contract assets	<u>(106)</u>	<u>(106)</u>
Contract assets, net	----- 55,052	----- 55,188
Trade receivables	51,788	15,310
Bills receivables	1,314	145
Less: provision for impairment of trade receivables	----- (129)	----- (165)
Trade and bills receivables, net	----- 52,973	----- 15,290
	<u>108,025</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. The balances of contract assets as at 31 December 2021 represented the amount of services that were completed but unbilled before the year-end.

Movements in the Group's provision for impairment of contract assets is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
As at 1 January	106	–
Provision for impairment of contract assets on collective basis	<u>–</u>	<u>106</u>
As at 31 December	<u>106</u>	<u>106</u>

As at 31 December 2021 and 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 31 December 2021 and 2020, the aging analysis of trade and bills receivables, net of impairment, based on invoice date, was as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
1 to 3 months	51,871	14,348
Over 3 months	<u>1,231</u>	<u>1,107</u>
	53,102	15,455
Less: provision for impairment of trade receivables	<u>(129)</u>	<u>(165)</u>
	<u>52,973</u>	<u>15,290</u>

As at 31 December 2021 and 2020, trade receivables of approximately RMB10,417,000 and RMB187,000, were past due respectively.

Movements of the provision for impairment of trade receivables were as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
As at 1 January	165	995
Provision for impairment of trade receivables on an individual basis	–	99
Reversal of provision for impairment of trade receivables on an individual basis	(36)	–
Provision for impairment of trade receivables on a collective basis	–	30
Written-off of provision for impairment of trade receivables	<u>–</u>	<u>(959)</u>
As at 31 December	<u>129</u>	<u>165</u>

The carrying amounts of the Group’s contract assets, trade and bills receivables were denominated in the following currencies:

	2021	2020
	RMB’000	RMB’000
RMB	107,952	69,624
United States dollars (“USD”)	73	854
	108,025	70,478

The maximum exposure to credit risk as at 31 December 2021 and 2020 was the carrying value of the receivables and contract assets mentioned above. The Group did not hold any collateral as security.

14. LEASES

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2021	2020
	RMB’000	RMB’000
Right-of-use assets*		
Properties	12,412	5,455
Plant and machinery	108	708
	12,520	6,163

* The balances were included in Note 10 “Property, plant and equipment”.

	2021	2020
	RMB’000	RMB’000
Lease liabilities		
Non-current portion	7,553	1,766
Current portion	5,140	4,725
	12,693	6,491

Additions to the right-of-use assets amounted to approximately RMB15,380,000 and RMB2,170,000 during the years ended 31 December 2021 and 2020 respectively.

As at 31 December 2021 and 2020, the carrying amounts of the Group’s lease liabilities were denominated in RMB.

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of use assets		
Properties	4,173	3,721
Plant and machinery	<u>4,217</u>	<u>83</u>
	<u>8,390</u>	<u>3,804</u>
Finance costs on leases (Note 7)	<u>327</u>	<u>432</u>

(c) Amounts recognised in the consolidated statement of cash flows

During the years ended 31 December 2021 and 2020, the total cash outflows for leases were analysed as below:

	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Payments for short-term leases in respect of:		
– machineries (Note 4)	24,383	19,655
– offices, warehouses, production plant and staff quarters (Note 4)	3,467	1,770
Cash flows from financing activities		
Payment of principal element of lease liabilities	9,178	4,310
Payment of interest element of lease liabilities (Note 7)	<u>327</u>	<u>432</u>
	<u>37,355</u>	<u>26,167</u>

15. TRADE PAYABLES

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	13,396	16,664
1 to 2 months	2,503	784
2 to 3 months	1,546	749
Over 3 months	54	285
	<u>17,499</u>	<u>18,482</u>

The carrying amounts of the Group's trade payables were denominated in the following currencies:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
RMB	16,803	17,862
USD	696	620
	<u>17,499</u>	<u>18,482</u>

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

16. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Payable for operating expenses	4,997	3,094
Payable for acquisition of property, plant and equipment	961	10,476
VAT and other tax payables	11,720	5,358
Other payables	154	170
Amount due to the non-controlling shareholder (<i>Note (a)</i>)	1,000	–
Accruals	16,315	17,010
Contract liabilities (<i>Note 3(b)</i>)	1,503	1,487
	<u>36,650</u>	<u>37,595</u>

Note:

- (a) Amount due to the non-controlling shareholder is denominated in RMB, unsecured, non-interest bearing and repayable within one year.

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

The carrying amounts of the Group’s contract liabilities, other payables and accruals were denominated in the following currencies:

	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
RMB	34,258	30,585
USD	869	1,548
Hong Kong dollars (“ HK\$ ”)	1,523	5,462
	36,650	37,595

17. DIVIDEND

No dividends had been paid or declared by the Company during the years ended 31 December 2021 and 2020.

18. EVENTS AFTER THE REPORTING PERIOD

Due to the outbreak of the novel coronavirus, a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the novel coronavirus.

The operation of the Group’s production plant in Shenzhen (the “**Shenzhen Production Plant**”) was temporarily suspended in March 2022 as part of the Chinese government’s countermeasures in containing outbreak of the novel coronavirus. Although the Shenzhen Production Plant resumed its operation and production after the temporary suspension, the Group will continue to assess the impact of the outbreak of the novel coronavirus on the operation and financial performance of the Group. The Group will also take appropriate measures as necessary.

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 aftersales services.

The outbreak and the spread of the coronavirus disease (COVID-19) 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 year ended 31 December 2020. Although some of the restrictions have eased in 2021, logistics and supply chain bottlenecks, recent energy crisis in China, scarcity of raw materials, shortage of migrant workers and the inability to deliver goods in a cost effective or timely manner continues to affect not only the Group but the manufacturing sector.

During the Reporting Period, the revenue of the Group increased by approximately RMB107.4 million from RMB246.5 million for the year ended 31 December 2020 to RMB353.9 million for the Reporting Period, which was attributed to the recovery of the China economic after the COVID-19 disease was under control in China since the second half year of 2020 and the business expansion of the new factory in ChongQing City.

The Group’s profit for the year for the Reporting Period decreased by approximately 12.7% to approximately RMB10.1 million as compared with the Group’s profit of approximately RMB11.5 million for the corresponding period in 2020.

PROSPECTS

COVID-19 disease has had a severe and negative impact on the Chinese and the global economy so far. Whether this will lead to a prolonged downturn in the economy is still unknown. The growth rate of the Chinese economy had already been slowing down, and the impact of COVID-19 disease on the Chinese economy may continue into 2022 and beyond. 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. 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 BUSINESS OVERVIEW

OPERATING RESULTS

Revenue by Customers' Geographical Location

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

	Revenue for the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
The PRC	353,615	246,036
The USA	281	183
Others	–	312
Total	<u>353,896</u>	<u>246,531</u>

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 principal industries, 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 Reporting Period and for the year ended 31 December 2020 respectively:

	Revenue for			% of total revenue for		
	the year ended 31 December			the year ended 31 December		
	2021	2020	Change	2021	2020	Change
	RMB'000	RMB'000	%			
PCBAs for						
Telecommunication devices	183,485	132,475	38.5	51.8	53.7	(1.9)
Industrial-use devices	15,741	14,218	10.7	4.5	5.8	(1.3)
IoT products	142,253	96,515	47.4	40.2	39.1	1.1
Others (<i>Note</i>)	12,417	3,323	273.7	3.5	1.4	2.1
Total	<u>353,896</u>	<u>246,531</u>	<u>43.6</u>	<u>100.0</u>	<u>100.0</u>	<u>–</u>

Note: Others mainly include (i) PCBAs for automotive related devices; and (ii) revenue generated from the sale of auxiliary and other materials.

Our revenue generated from sales of PCBAs for telecommunication devices increased by approximately 38.5% from approximately RMB132.5 million for the year ended 31 December 2020 to approximately RMB183.5 million for the Reporting Period, primarily due to the new orders received by the new factory in ChongQing City.

Our revenue generated from sales of PCBAs for industrial-use devices increased by approximately 10.7% from approximately RMB14.2 million for the year ended 31 December 2020 to approximately RMB15.7 million for the Reporting Period, primarily due to the increased orders from the customers of industrial use devices.

Our Group recorded an increase in revenue derived from sales of PCBAs for IoT products from approximately RMB96.5 million for the year ended 31 December 2020 to approximately RMB142.3 million for the Reporting Period, which was mainly attributable to that more orders were received from the main customer in line with the rapid development of the IoT industry.

Other revenue mainly includes (i) PCBAs for automotive related devices; and (ii) the revenue generated from the sale of auxiliary and other materials. Other revenue increased significantly from approximately RMB3.3 million for the year ended 31 December 2020 to approximately RMB12.4 million for the Reporting Period mainly due to the increased orders from the automotive related devices with the maturity of production technology of the automotive related devices.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB54.0 million, representing an increase of approximately RMB3.6 million or approximately 7.1% as compared with approximately RMB50.4 million for the year ended 31 December 2020. Overall gross profit margin decreased from approximately 20.4% for the year ended 31 December 2020 to approximately 15.3% for the Reporting Period.

	Gross profit for			Gross profit margin for		
	the year ended 31 December			the year ended 31 December		
	2021	2020	Change	2021	2020	Change
	RMB'000	RMB'000	(%)	(%)	(%)	(%)
PCBAs for						
Telecommunication devices	34,580	29,951	15.5	18.8	22.6	(3.8)
Industrial-use devices	2,279	2,612	(12.7)	14.5	18.4	(3.9)
IoT products	15,532	17,354	(10.5)	10.9	18.0	(7.1)
Others	1,589	491	223.6	12.8	14.8	(2.0)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	53,980	50,408	7.1	15.3	20.4	(5.1)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

PCBAs

The gross profit for PCBAs for telecommunication devices increased by approximately 15.5% to approximately RMB34.6 million for the Reporting Period (2020: approximately RMB30.0 million). The gross profit margin decreased to approximately 18.8% for the Reporting Period (2020: approximately 22.6%), which was primarily due to that (i) the Group offered a lower unit selling price to the major customers in the Reporting Period for the fierce competition; (ii) increased subcontracting charges and staff cost as a result of the labor shortage in Shenzhen; and (iii) more fixed costs were absorbed as a result of the unstable orders from the major customer of telecommunication devices.

The gross profit for PCBAs for industrial-use devices decreased by approximately 12.7% to approximately RMB2.3 million for the Reporting Period (2020: approximately RMB2.6 million). The gross profit margin decreased to approximately 14.5% for the Reporting Period (2020: approximately 18.4%), which was mainly due to the increased staff cost caused by the labour shortage.

The gross profit for PCBAs for IoT products decreased by approximately 10.5% to approximately RMB15.5 million for the Reporting Period (2020: approximately RMB17.4 million). The gross profit margin decreased to approximately 10.9% for the Reporting Period (2020: approximately 18.0%), which primarily due to that (i) the Group offered a more competitive price to one of the major customers to achieve more orders; (ii) increased price of raw materials caused by the global shortage of electronic components; (iii) we offered a lower gross profit margin for the products from new customers to achieve more business opportunities; and (iv) increased staff cost caused by the labor shortage.

Other Income

Other income of the Group for the Reporting Period of approximately RMB5.8 million (2020: approximately RMB4.5 million) mainly represented government grants.

Other Losses, Net

Other losses, net mainly represented (i) net gain or loss on disposal of property, plant and equipment and (ii) exchange difference. For the Reporting Period, other losses decrease from approximately RMB2.2 million for the year ended 31 December 2020 to approximately RMB0.9 million for the Reporting Period, which was mainly due to that the Group has disposed more idle and outdated equipment for the year ended 31 December 2020.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) relevant employee benefit expenses; (ii) transportation costs; (iii) depreciation; (iv) entertainment expenses and other expenses. For the Reporting Period, selling and distribution expenses amounted to approximately RMB3.4 million (2020: approximately RMB2.5 million), representing an increase of approximately 35.9% as compared to the year ended 31 December 2020. Selling and distribution expense ratio remained stable at approximately 1.0% against revenue for both the Reporting Period and the year ended 31 December 2020.

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; (viii) office expenses and other expenses. For the Reporting Period, administrative expenses amounted to approximately RMB42.3 million (2020: approximately RMB36.2 million), representing an increase of approximately 16.8% as compared to the year ended 31 December 2020. The increase was mainly due to (i) increased professional fees for the government grant received in the Reporting Period; (ii) increased bonus to the senior management; and (iii) increased depreciation for the office and staff dormitory newly decorated in 2020.

Impairment Losses on Financial Assets and Contract Assets

For the Reporting Period, impairment losses of approximately RMB0.2 million (2020: approximately RMB0.2 million) was made against the financial asset at amortised cost and the trade receivables for customers who probably have credit risk.

Finance Costs, Net

Our finance costs mainly comprised interest expenses on bank borrowings and leases, while our finance income mainly represented interest income on our cash and cash equivalents. For the Reporting Period, the net finance costs of the Group were approximately RMB0.6 million (2020: approximately RMB0.1 million). The increase in net finance costs was mainly due to the increased average borrowing balances from approximately RMB11.1 million for the year ended 31 December 2020 to approximately RMB13.3 million for the Reporting Period.

Income Tax Expense

Income tax expense increased by approximately 5.1% from approximately RMB2.1 million for the year ended 31 December 2020 to approximately RMB2.3 million for the Reporting Period, primarily due to the net effect of (i) decrease in profit before income tax of the Group's major subsidiary, Shenzhen Confidence, which has qualified for new/high-tech technology enterprises status and is therefore subject to a preferential income tax rate of 15%; and (ii) increase in profit before income tax of the Group's new subsidiary in ChongQing City, which is subject to an income tax rate of 25%. Our effective tax rate, which is calculated based on income tax expenses divided by profit before income tax, was approximately 18.3% for the Reporting Period (2020: approximately 15.7%). The increased effective tax rate for the Reporting Period was mainly attributed by the increased profit before tax from the subsidiary in ChongQing City, which has a higher income tax rate.

Profit for the Year

As a result of the facts discussed above, profit for the year decreased by approximately 12.7% from approximately RMB11.5 million for the year ended 31 December 2020 to approximately RMB10.1 million for the Reporting Period.

Profit/(loss) for the Year Attributable to Non-controlling Interest

Profit for the year attributable to non-controlling interest increased to approximately RMB2.8 million for the Reporting Period, which was due to that the new factory in ChongQing City, which is not wholly owned by the Company, came on stream since the end of 2020.

Liquidity and Capital Resources

Net Current Assets

The Group had net current assets of approximately RMB138.2 million as at 31 December 2021 (2020: approximately RMB RMB153.9). The current ratio of the Group decreased from approximately 3.1 as at 31 December 2020 to 3.0 as at 31 December 2021.

Borrowing and the Pledge of Assets

The bank borrowings of the Group amounted to approximately RMB12.6 million as at 31 December 2021 (2020: approximately RMB13.9 million). As at 31 December 2021, the above bank borrowings were secured by bank deposits of approximately RMB1.7 million; property, plant and equipment with carrying amounts of approximately RMB25.0 million and a corporate guarantee provided by the Company. As at 31 December 2020, the above bank borrowings were secured by bank deposits of approximately RMB14.6 million; property, plant and equipment with carrying amounts approximately RMB26.1 million and a corporate guarantee provided by the Company.

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings and lease liabilities divided by total equity, was approximately 8.5% and 7.0% as at 31 December 2021 and 31 December 2020, respectively. During the Reporting Period, our bank borrowing and lease liabilities increased by approximately RMB4.9 million. The gearing remained low due to our low level of bank borrowings and lease liabilities 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. There has been no change in the capital structure of the Company since then. As at 31 December 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 RMB and HK\$, and there are no significant assets and liabilities denominated in other currencies. Management considers that the Group is not exposed to any significant foreign exchange risk as at 31 December 2021 as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities.

Capital Expenditure

For the Reporting Period, the Group had capital expenditure of approximately RMB67.7 million (2020: approximately RMB63.7 million). The capital expenditure was mainly related to the additions of office equipment, plant and equipment and intangible assets.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2021 (2020: nil).

EMPLOYEES, 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 31 December 2021, the Group had 891 employees with a total remuneration of approximately RMB88.8 million during the Reporting Period (2020: approximately RMB62.8 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 date 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. As disclosed in the Company’s announcement dated 26 November 2021 (the “**Change of Use of Proceeds Announcement**”), having carefully considered the latest business environment and development needs of the Group, the Board had resolved to change the proposed use of part of the unutilised Net Proceeds in the amount of approximately HK\$7.2 million originally allocated for (i) strengthening the Group’s product design and enhancement capabilities in respect of the Group’s PCBAs applicable to telecommunication devices and IoT devices PCBA; (ii) upgrading the Group’s MES system and enhancing the Group’s capabilities in information technology; and (iii) upgrading the Group’s existing intelligent warehouse, to working capital. The following table sets forth the status of the use of revised allocation of the Net Proceeds as at 31 December 2021 and the date of the change of Use of Proceeds Announcement:

Business objectives as stated in the Prospectus	Actual net	Actual use of	Reallocation	Amount	Remaining
	proceeds	proceeds from			
	HK\$ million	the Listing Date	HK\$ million	after	
		to the date of	HK\$ million	reallocation	
		change of use			
		of proceeds			
		announcement			
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	2.0	(1.1)	-	-
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	9.1	7.2	1.2	6.0
	<u>91.9</u>	<u>84.7</u>	<u>-</u>	<u>1.2</u>	<u>6.0</u>

The unutilised net proceeds are expected to be used during the six months ending 30 June 2022. 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 31 December 2021, the Group's capital commitment amounted to approximately RMB3.2 million (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 Reporting Period, there were no material acquisition, disposal of subsidiaries, associates and joint ventures by the Group.

During the Reporting Period, the Group acquired certain equity securities listed in Hong Kong which the Group has irrevocably elected to recognise as financial assets at FVOCI. The listed equity securities were classified as level 1 which the fair value measurements of the listed equity securities were based on observable inputs that reflect quoted prices (unadjusted) for identical assets in active markets. As at 31 December 2021, the carrying amounts of the financial assets at FVOCI of the Group were approximately RMB8,369,000 (31 December 2020: nil).

The Group also acquired an unlisted corporate bond with principal amount of HK\$20,000,000 (approximately RMB16,352,000) for 1 year maturity at fixed interest rate of 12% per annum and it was classified as financial asset at amortised cost. As at 31 December 2021, the carrying amount of the unlisted corporate bond was approximately RMB16,080,000 (31 December 2020: nil).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 31 December 2021 (2020: Nil).

EVENT AFTER REPORTING PERIOD

Due to the outbreak of the novel coronavirus, a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the novel coronavirus.

The Shenzhen Production Plant was temporarily suspended in March 2022 as part of the Chinese government’s countermeasures in containing outbreak of the novel coronavirus. Although the Shenzhen Production Plant resumed its operation and production after the temporary suspension, the Group will continue to assess the impact of the outbreak of the novel coronavirus on the operation and financial performance of the Group. The Group will also take appropriate measures as necessary.

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the Reporting 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 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’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 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.

AUDIT COMMITTEE

The Audit Committee was established on 20 September 2019 with terms of reference in compliance with the CG Code for the purpose of 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 risk management and internal control systems of the Group. The Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Wong Chun Sek Edmund (Chairman), Mr. Chen Zhong and Ms. Mu Lingxia. The Group's accounting principles and policies, financial statements and related materials for the year had been reviewed by the Audit Committee.

The terms of reference of the Audit Committee are available on the website of the Company and of the Stock Exchange.

The Group's final results for the Reporting Period had been reviewed by the Audit Committee before submission to the Board for approval. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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 Reporting Period and to the date of the announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CLOSURE OF THE REGISTER OF MEMBERS

For the purposes of determining the shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 27 May 2022 (Friday), the register of members of the Company will be closed from 24 May 2022 (Tuesday) to 27 May 2022 (Friday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 23 May 2022 (Monday). During the above closure period, no transfer of shares will be registered. To be eligible to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 23 May 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.szxinken.com>). The annual report of the Company for the year ended 31 December 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, 31 March 2022

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

* *For identification purpose only*