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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 2022**

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 2022 (the “**Interim Period**”), together with the comparative figures for the six months ended 30 June 2021.

FINANCIAL HIGHLIGHTS	Unaudited	
	six months ended 30 June	
	2022	2021
Revenue (<i>RMB'000</i>)	127,083	184,342
Gross profit (<i>RMB'000</i>)	14,035	28,645
Gross profit margin (%)	11.0	15.5
(Loss)/profit for the period attributable to equity holders of the Company (<i>RMB'000</i>)	(3,885)	6,602
<i>(Loss)/earnings per share attributable to equity holders of the Company</i>		
– Basic and diluted (<i>RMB cents</i>)	(1.55)	2.64

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited	
		six months ended 30 June	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	127,083	184,342
Cost of sales	5	(113,048)	(155,697)
Gross profit		14,035	28,645
Other income	6	3,379	2,330
Other (losses)/gains, net	7	(908)	287
Selling and distribution expenses	5	(1,343)	(1,946)
Administrative expenses	5	(17,606)	(19,604)
(Impairment losses)/reversal of impairment losses on financial assets	5	(24)	36
Operating (loss)/profit		(2,467)	9,748
Finance income/(costs), net		829	(142)
(Loss)/profit before income tax		(1,638)	9,606
Income tax expense	8	(1,235)	(2,201)
(Loss)/profit for the period		(2,873)	7,405
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(3,885)	6,602
Non-controlling interest		1,012	803
		(2,873)	7,405
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted (<i>RMB cents</i>)	9	(1.55)	2.64

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited	
	six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	(2,873)	7,405
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	2,413	(750)
Equity investments at fair value through other comprehensive income:		
– Fair value (losses)/gains taken to reserves	(402)	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	(384)	48
Total comprehensive (loss)/income for the period	(1,246)	8,159
Total comprehensive (loss)/income for the period attributable to:		
Equity holders of the Company	(2,258)	7,356
Non-controlling interest	1,012	803
	(1,246)	8,159

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2022

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		161,037	177,744
Intangible assets		883	1,278
Investment in an associate		–	–
Prepayments and deposits	11	3,703	3,186
Deferred tax assets		2,503	2,403
Financial assets at fair value through other comprehensive income		8,335	8,369
		<u>176,461</u>	<u>192,980</u>
Current assets			
Inventories		17,703	30,460
Contract assets	12	32,896	55,052
Trade and bills receivables	12	41,860	52,973
Prepayments, deposits and other receivables	11	3,232	3,286
Financial assets at fair value through profit or loss		–	–
Financial asset at amortised cost		16,794	16,080
Pledged bank deposits		1,695	1,695
Cash and cash equivalents		90,476	48,926
		<u>204,656</u>	<u>208,472</u>
Total assets		<u>381,117</u>	<u>401,452</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		2,250	2,250
Share premium		98,676	98,676
Retained earnings		61,410	65,632
Reserves		123,131	121,167
		<u>285,467</u>	<u>287,725</u>
Non-controlling interest		<u>11,148</u>	<u>10,136</u>
Total equity		<u>296,615</u>	<u>297,861</u>

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		5,226	7,703
Lease liabilities		5,762	7,553
Deferred government grants		14,234	15,999
Deferred tax liabilities		717	2,107
		<u>25,939</u>	<u>33,362</u>
Current liabilities			
Trade payables	13	11,751	17,499
Other payables and accruals	14	26,221	35,147
Lease liabilities		5,383	5,140
Contract liabilities	14	1,252	1,503
Current income tax liabilities		5,048	1,752
Deferred government grants		3,649	4,277
Bank borrowings		5,259	4,911
		<u>58,563</u>	<u>70,229</u>
Total liabilities		<u>84,502</u>	<u>103,591</u>
Total equity and liabilities		<u>381,117</u>	<u>401,452</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 (“**EMS**”). 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 shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 18 October 2019.

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 2022.

This Interim Financial Information has not been audited.

2. BASIS OF PRESENTATION

This Interim Financial Information for the six months ended 30 June 2022 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 2021, 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 2021, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 Amended standards and accounting guideline adopted by the Group

The Group has adopted the following amended standards and accounting guideline for the first time for the current reporting period beginning 1 January 2022:

Amendments to HKFRS 16	Covid-19 – Related Rent Concessions beyond 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018 to 2020
Amendments to Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The amendment to standards and accounting guideline did not have material impact on the Group's accounting policies and did not require any adjustments.

3.2 Impact of new and amended standards and interpretation issued but not yet adopted by the Group

The following new and amended standards and interpretation that are not effective for periods commencing on or after 1 January 2022 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	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
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 amended standards and interpretation as and when they become effective. The Group is in the process of assessing the impact of adopting these new or amended standards and interpretation on its current or future reporting periods and on foreseeable future transactions.

4. 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 six months ended 30 June 2022 and 2021, 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 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	127,070	183,970
The United States of America	13	372
	<u>127,083</u>	<u>184,342</u>

(b) Non-current assets by geographical location

As at 30 June 2022 and 31 December 2021, all of the Group's non-current assets other than financial instruments and deferred tax assets were located in the PRC.

5. EXPENSES BY NATURE

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

	Unaudited six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of raw materials and consumables used	44,865	65,233
Subcontracting charges	5,850	16,655
Employee benefit expenses and manpower service expenses, including directors' emoluments	37,950	52,742
Rental expenses of short-term leases in respect of:		
– Machineries	7,865	11,863
– Offices, warehouses, production plants and staff quarters	1,034	925
Utilities	4,017	2,750
Depreciation	18,842	18,039
Amortisation	395	358
Auditor's remuneration	453	434
Professional fees	2,449	2,743
Impairment provision for inventories	3,063	–
Impairment losses/(reversal of impairment losses) on financial assets	24	(36)
Other tax and surcharges	1,352	688
Transportation	139	182
Travelling expenses	541	840
Others	3,182	3,795
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, administrative expenses and impairment losses/(reversal of impairment losses) on financial assets	132,021	177,211
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER INCOME

	Unaudited six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants (<i>Note</i>)	3,304	2,330
Others	75	–
	<hr/>	<hr/>
	3,379	2,330
	<hr/> <hr/>	<hr/> <hr/>

Note: The amount mainly represents the subsidies received from the local government in respect of the technical renovation program. Government grants relating to the purchase of equipment are included in deferred income and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets. There are no unfulfilled conditions or contingencies related to these grants.

7. OTHER (LOSSES)/GAINS, NET

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	(254)	–
Exchange differences	(703)	288
Fair value changes in financial assets at FVTPL	–	(1)
Dividend from financial assets at FVOCI	49	–
	<u> </u>	<u> </u>
	(908)	287
	<u> </u>	<u> </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.

During the six months ended 30 June 2022 and 2021, Shenzhen Confidence Intelligence Electronic Co., Ltd.* (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 Enterprise status and is therefore subject to PRC CIT at a preferential income tax rate of 15%.

During the six months ended 30 June 2022 and 2021, 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	
	2022	2021
	RMB'000	RMB'000
Current income tax		
– PRC CIT	2,513	4,416
– Under-provision in prior year	212	–
	<u> </u>	<u> </u>
	2,725	4,416
Deferred income tax	<u>(1,490)</u>	<u>(2,215)</u>
Income tax expense	<u>1,235</u>	<u>2,201</u>
	<u> </u>	<u> </u>

9. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated by dividing the (loss)/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 2022 and 2021.

	Unaudited six months ended 30 June	
	2022	2021
(Loss)/profit attributable to equity holders of the Company (<i>RMB'000</i>)	<u>(3,885)</u>	<u>6,602</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 (loss)/earnings per share (<i>RMB cents</i>)	<u>(1.55)</u>	<u>2.64</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 2022 and 2021.

10. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2022 and 2021.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Current portion		
Prepayments to suppliers	827	480
Rental and other deposits (<i>Note</i>)	916	854
Value-added tax (“VAT”) receivable	–	414
Other receivables (<i>Note</i>)	<u>1,489</u>	<u>1,538</u>
	<u>3,232</u>	<u>3,286</u>
Non-current portion		
Prepayments for the acquisition of property, plant and equipment	3,064	2,719
Rental deposits (<i>Note</i>)	<u>639</u>	<u>467</u>
	<u>3,703</u>	<u>3,186</u>
	<u>6,935</u>	<u>6,472</u>

Note: As at 30 June 2022 and 31 December 2021, the carrying amounts of deposits and other receivables approximated their fair values. These balances were unsecured and interest free.

12. CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Contract assets	33,002	55,158
Less: Provision for impairment of contract assets	<u>(106)</u>	<u>(106)</u>
Contract assets, net	<u>32,896</u>	<u>55,052</u>
Trade receivables	38,927	51,788
Bills receivables	3,062	1,314
Less: Provision for impairment of trade receivables	<u>(129)</u>	<u>(129)</u>
Trade and bills receivables	<u>41,860</u>	<u>52,973</u>
Contract assets, trade and bills receivables	<u>74,756</u>	<u>108,025</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 30 June 2022 represented the amount of services that were completed but unbilled before the period-end.

As at 30 June 2022 and 31 December 2021, 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 2022 and 31 December 2021, the aging analysis of trade and bills receivables, net of impairment, based on invoice date, was as follows:

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
1 to 3 months	39,446	51,871
Over 3 months	<u>2,543</u>	<u>1,231</u>
	41,989	53,102
Less: provision for impairment of trade receivables	<u>(129)</u>	<u>(129)</u>
	<u>41,860</u>	<u>52,973</u>

13. TRADE PAYABLES

As at 30 June 2022 and 31 December 2021, the aging analysis of trade payables, based on invoice date, was as follows:

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Within 1 month	9,699	13,396
1 to 2 months	1,768	2,503
2 to 3 months	254	1,546
Over 3 months	30	54
	<u>11,751</u>	<u>17,499</u>

As at 30 June 2022 and 31 December 2021, the carrying amounts of trade payables approximated their fair values.

14. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Payables for operating expenses	3,082	4,997
Payables for acquisition of property, plant and equipment	918	961
VAT and other tax payables	14,927	11,720
Other payables	475	154
Amount due to the non-controlling shareholder	–	1,000
Accruals	6,819	16,315
Contract liabilities	1,252	1,503
	<u>27,473</u>	<u>36,650</u>

As at 30 June 2022 and 31 December 2021, the carrying amounts of other payables and accruals approximated their fair values.

BUSINESS REVIEW AND PROSPECTS

The board of directors (the “**Board**”) 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 2022 (the “**Interim Period**”) to the shareholders of the Company.

Business Review

The Group is an electronic manufacturing services (the “**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.

A new wave of COVID-19 Disease occurred in various cities in the People’s Republic of China (the “**PRC**”) during the Interim Period. The PRC government implemented stricter pandemic control and lockdown measures in response to the resurgence of the COVID-19 Disease, logistic and business activities were disrupted accordingly. The economy was slowing down and the market experienced weak demand, and thus, the Group’s orders from our customers declined substantially in the Interim Period.

During the Interim Period, the Group’s revenue decreased by approximately 31.1% from approximately RMB184.3 million for the six months ended 30 June 2021 to approximately RMB127.1 million for the Interim Period. The Group recorded a net loss of approximately RMB2.9 million for the Interim Period as opposed to a net profit of approximately RMB7.4 million for the corresponding period in 2021.

Prospects

The global consumer electronics market demand is rapidly changing by facing macroeconomic headwinds, the Russian-Ukrainian conflict, local epidemics and other factors. 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 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	
	2022 RMB'000	2021 RMB'000
The PRC	127,070	183,970
The United States of America	13	372
	127,083	184,342

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, IoT products and automotive related devices. 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 2021 respectively:

	Revenue for the six months ended 30 June			% of total revenue for the six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change %	2022	2021	Change
PCBAs for						
Telecommunication devices	69,007	94,197	(26.7)	54.3	51.1	3.2
IoT products	41,888	79,274	(47.2)	33.0	43.0	(10.0)
Automotive related devices	12,223	3,299	270.5	9.6	1.8	7.8
Others	3,965	7,572	(47.6)	3.1	4.1	(1.0)
Total	127,083	184,342	(31.1)	100.0	100.0	-

Our revenue generated from sales of PCBAs for telecommunication devices decreased by approximately 26.7% from approximately RMB94.2 million for the six months ended 30 June 2021 to approximately RMB69.0 million for the Interim Period, primarily due to the dropped orders from our telecommunication devices customers because that the smartphone market experienced weak demand in the Interim Period.

Our Group recorded a decrease in revenue derived from sales of PCBAs for IoT products by approximately 47.2% from approximately RMB79.3 million six months ended 30 June 2021 to approximately RMB41.9 million for the Interim Period, which was mainly attributable to the decline orders received from the Group's major customer, who was located in Shanghai city and the operation were restricted due to the strict lockdown measures implemented by Shanghai authorities in response to the resurgence of COVID-19 Disease during the Interim Period.

Our revenue generated from sales of PCBAs for automotive related devices increased by approximately 270.5% from approximately RMB3.3 million for the six months ended 30 June 2021 to approximately RMB12.2 million for the Interim Period, primarily due to the increased orders from the automotive related devices customers with the maturity of production technology of the automotive related devices.

Other revenue mainly include (i) PCBAs for industrial-use devices; and (ii) the revenue generated from the sale of auxiliary and other materials. Other revenue decreased from approximately RMB7.6 million for the six months ended 30 June 2021 to approximately RMB4.0 million for the Interim Period, which was mainly caused by the decreased orders from the industrial-use devices customers due to the slowing down of the economy.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Interim Period was approximately RMB14.0 million, representing a decreased of approximately RMB14.6 million or 51.0% as compared with approximately RMB28.6 million for the corresponding period in 2021. Overall gross profit margin decreased from 15.5% for the corresponding period in 2021 to 11.0% for the Interim Period.

	Gross profit for			Gross profit margin for the six months ended		
	the six months ended 30 June			30 June		
	2022	2021	Change	2022	2021	Change
	RMB'000	RMB'000	(%)	%	%	
PCBAs for						
Telecommunication devices	9,587	18,248	(47.5)	13.9	19.4	(5.5)
IoT products	1,582	8,364	(81.1)	3.8	10.6	(6.8)
Automotive related devices	2,278	555	310.5	18.6	16.8	1.8
Others	588	1,478	(60.2)	14.8	19.5	(4.7)
	<u>14,035</u>	<u>28,645</u>	(51.0)	<u>11.0</u>	<u>15.5</u>	(4.5)
Total	<u>14,035</u>	<u>28,645</u>	(51.0)	<u>11.0</u>	<u>15.5</u>	(4.5)

PCBAs

The gross profit for PCBAs for telecommunication devices decreased by approximately 47.5% to approximately RMB9.6 million for the Interim Period (six months ended 30 June 2021: approximately RMB18.2 million). The gross profit margin decreased to approximately 13.9% for the Interim Period (six months ended 30 June 2021: approximately 19.4%), which primarily due to the decrease in sales of telecommunication devices, while certain cost of sales was fixed.

The gross profit for PCBAs for IoT products decreased by approximately 81.1% to approximately RMB1.6 million for the Interim Period (six months ended 30 June 2021: approximately RMB8.4 million). The gross profit margin decreased to approximately 3.8% for the Interim Period (six months ended 30 June 2021: approximately 10.6%), which was primarily due to the decreased orders from our major IoT products customers and the provision provided for the slow moving inventory.

The gross profit for PCBAs for automotive related devices increased by approximately RMB310.5% to approximately RMB2.3 million for the Interim Period (six months ended 30 June 2021: approximately RMB 0.6 million). The gross profit margin increased to approximately 18.6% for the Interim Period (six months ended 30 June 2021: approximately 16.8%), which was mainly due to the increased sales orders from the automotive related devices customers with the maturity of production technology.

Other Income

Other income of the Group for the Interim Period of approximately RMB3.4 million (six months ended 30 June 2021: approximately RMB2.3 million) mainly represented government grants received by the Group.

Other (Losses)/Gains, Net

Net other losses of approximately RMB0.9 million for the Interim Period (six months ended 30 June 2021: net gain of approximately RMB0.3 million) mainly represented exchange differences and loss on disposal of property, plant and equipment.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) relevant employee benefit expenses; (ii) travelling and transportation costs; and (iii) entertainment expenses and other expenses. For the Interim Period, selling and distribution expenses amounted to approximately RMB1.3 million (six months ended 30 June 2021: approximately RMB1.9 million), representing a decrease of approximately 31.0% as compared to that for the six months ended 30 June 2021. The decrease was mainly due to the decreased headcount in the marketing department. Selling and distribution expense ratio remained low at approximately 1.1% against revenue for both the Interim Period and the six months ended 30 June 2021.

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 RMB17.6 million (six months ended 30 June 2021: approximately RMB19.6 million). The decrease in administrative expense was mainly because of the decreased bonus due to the unsatisfying results for the Interim Period.

Finance Costs, Net

Finance costs mainly comprised interest expenses on bank and other borrowings and leases, while finance income mainly represented interest income on our cash and cash equivalents and financial asset at amortised cost. For the Interim Period, the net finance income of the Group were approximately RMB0.8 million (six months ended 30 June 2021: net finance costs of approximately RMB0.1 million). The increase in finance income was mainly due to the increased financial asset at amortised cost at the end of 2021.

Income Tax Expense

Income tax expense decreased by approximately RMB1.0 million from approximately RMB2.2 million for the six months ended 30 June 2021 to approximately RMB1.2 million for the Interim Period, primarily due to the decreased assessable profit of the Group.

Profit Attributable to Owners of the Company

As a result of the facts discussed above, loss attributable to equity holders of the Company was approximately RMB3.9 million for the Interim Period as opposed to the profit approximately RMB6.6 million for the six months ended 30 June 2021.

Liquidity and Capital Resources

Net Current Assets

The Group had net current assets of approximately RMB146.1 million as at 30 June 2022 (31 December 2021: approximately RMB138.2 million). The current ratio of the Group increased from approximately 3.0 as at 31 December 2021 to 3.5 as at 30 June 2022.

Borrowing and the Pledge of Assets

The bank and other borrowings of the Group amounted to approximately RMB10.5 million as at 30 June 2022 (31 December 2021: approximately RMB12.6 million). As at 30 June 2022, the borrowings were secured by bank deposits of approximately RMB1.7 million (31 December 2021: approximately RMB1.7 million); property, plant and equipment with carrying amounts approximately RMB24.0 million (31 December 2021: approximately RMB25.0 million) and a corporate guarantee provided by the Company.

Gearing Ratio

Gearing ratio, which is calculated by total borrowings and lease liability divided by total equity, was approximately 7.3% and 8.5% as at 30 June 2022 and 31 December 2021, respectively. During the Interim Period, our bank and other borrowings and lease liability decreased by approximately RMB3.7 million. The gearing remained low due to our low level of bank and other borrowings and lease liability.

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 2022, 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**”) and Hong Kong dollar (“**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 30 June 2022 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 Interim Period, the Group had capital expenditure of approximately RMB2.4 million (six months ended 30 June 2021: approximately RMB52.3 million). The capital expenditure for the six months ended 30 June 2021 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 2022 (six months ended 30 June 2021: 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 2022, the Group had 791 employees with a total remuneration of approximately RMB38.0 million during the Interim Period (six months ended 30 June 2021: approximately RMB52.7 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

Pension Scheme

Pursuant to the relevant labor laws and regulations of the PRC, the employees of the Group's subsidiaries established in the PRC are required to participate in a state-managed retirement benefit scheme (the "**Defined Contribution Scheme**") operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the Defined Contribution Scheme.

The Group's contributions to the Defined Contribution Scheme vest fully and immediately with the employees. Accordingly, (i) during the Interim Period, there was no forfeiture of contributions under the Defined Contribution Scheme; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Scheme as at 30 June 2022. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Defined Contribution Scheme.

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 (the "**Net Proceed**"), 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 the unutilized 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; (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 30 June 2022 and the date of the change of Use of Proceeds Announcement:

Business objectives as stated in the Prospectus	Actual net proceeds <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to the date of change of use of proceeds announcement <i>HK\$ million</i>	Reallocation <i>HK\$ million</i>	Amount utilized after reallocation	Remaining balance
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	7.2	-
	<u>91.9</u>	<u>84.7</u>	<u>-</u>	<u>7.2</u>	<u>-</u>

Capital Commitment

As at 30 June 2022, the Group's capital commitment amounted to approximately RMB3.2 million (31 December 2021: approximately RMB3.2 million). The capital commitment was mainly related to the acquisition of machinery and equipment to 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 2022 (31 December 2021: nil).

Subsequent Event After the Interim Period

On 25 July 2022, Wanhai Big Data Technology (Shanghai) Limited*, a wholly-owned subsidiary of the Company, entered into an agreement with Regan Shiye Group Co., Limited*, an independent third party, to acquire 60% of the registered capital of Shanghai Regan Financial Information Service Co., Limited*, a company principally engaged in the development and operation of financial-related application, for cash consideration of approximately RMB7,032,000. Detailed information please refer to the announcement of the Company dated 25 July 2022.

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 7 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 2022, 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 Ms. Mu Lingxia.

The Audit Committee had reviewed the interim results of the Group for the six months ended 30 June 2022.

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

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules during the Interim Period and up to the date of this announcement.

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 2022 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 2022

As at the date of this announcement, the executive Directors are Mr. Li Hao, Mr. Zhang Bizhong, Mr. Xu Shizhen, Ms. Li Biqiong and Mr. Hao Xiangjun, 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*