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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 2020

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 2020 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2019.

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2020	2019
Revenue (<i>RMB'000</i>)	246,531	284,588
Gross profit (<i>RMB'000</i>)	50,408	94,028
Gross profit margin (%)	20.4	33.0
Profit for the year attributable to equity holders of the Company (<i>RMB'000</i>)	11,736	27,710
Earnings per share attributable to equity holders of the Company		
– Basic and diluted (<i>RMB cents</i>)	4.69	13.93

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Note</i>	2020 RMB'000	2019 RMB'000
Revenue	3	246,531	284,588
Cost of sales	4	<u>(196,123)</u>	<u>(190,560)</u>
Gross profit		50,408	94,028
Other income	5	4,497	3,683
Other losses, net	6	(2,210)	(1,058)
Selling and distribution expenses	4	(2,477)	(2,789)
Administrative expenses	4	(36,223)	(56,237)
Net impairment losses on financial assets and contract assets	4	<u>(235)</u>	<u>(995)</u>
Operating profit		13,760	36,632
Finance income	7	925	364
Finance costs	7	<u>(1,002)</u>	<u>(1,601)</u>
Finance costs, net		<u>(77)</u>	<u>(1,237)</u>
Profit before income tax		13,683	35,395
Income tax expense	8	<u>(2,143)</u>	<u>(7,685)</u>
Profit for the year		<u>11,540</u>	<u>27,710</u>
Profit/(loss) for the year attributable to:			
Equity holders of the Company		11,736	27,710
Non-controlling interest		<u>(196)</u>	<u>–</u>
		<u>11,540</u>	<u>27,710</u>
Basic and diluted per share (<i>RMB cents</i>)	9	<u>4.69</u>	<u>13.93</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	RMB'000	RMB'000
Profit for the year	11,540	27,710
Other comprehensive (loss)/income:		
<i>Item that will not be reclassified to profit or loss</i>		
Currency translation differences	(4,290)	(940)
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>8</u>	<u>12</u>
Total comprehensive income for the year	7,258	26,782
Total comprehensive income/(loss) for the year attributable to:		
Equity holders of the Company	7,454	26,782
Non-controlling interest	<u>(196)</u>	<u>–</u>
	<u>7,258</u>	<u>26,782</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment	10	154,221	120,262
Intangible asset		1,478	–
Investment in an associate		–	–
Prepayments and deposits	11	1,530	1,168
Deferred tax assets		665	725
		<u>157,894</u>	<u>122,155</u>
Current assets			
Inventories	12	25,145	24,239
Contract assets	13	55,188	38,545
Trade and bills receivables	13	15,290	26,610
Prepayments, deposits and other receivables	11	7,228	3,733
Financial assets at fair value through profit or loss		5,001	–
Pledged bank deposits		14,557	–
Cash and cash equivalents		104,004	139,172
		<u>226,413</u>	<u>232,299</u>
Total assets		<u>384,307</u>	<u>354,454</u>
Equity			
Equity attributable to equity holders of the Company			
Share capital		2,250	2,250
Share premium		98,676	98,676
Retained earnings		58,979	49,217
Reserves		126,222	128,530
		<u>286,127</u>	<u>278,673</u>
Non-controlling interest		<u>5,804</u>	–
Total equity		<u>291,931</u>	<u>278,673</u>

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Liabilities			
Non-current liabilities			
Bank and other borrowings		8,048	1,600
Lease liabilities	14	1,766	4,783
Deferred government grants		10,001	10,519
		<u>19,815</u>	<u>16,902</u>
Current liabilities			
Trade payables	15	18,482	16,192
Other payables and accruals	16	36,108	25,161
Lease liabilities	14	4,725	3,848
Contract liabilities	16	1,487	462
Current income tax liabilities		2,769	3,707
Deferred government grants		3,101	2,905
Bank and other borrowings		5,889	6,604
		<u>72,561</u>	<u>58,879</u>
Total liabilities		<u>92,376</u>	<u>75,781</u>
Total equity and liabilities		<u>384,307</u>	<u>354,454</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

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

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

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Listing**”) 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.

1.2 Reorganisation

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the reorganisation (the “**Reorganisation**”) which mainly involved the following steps:

- (a) On 7 December 2018, the Company was incorporated in the Cayman Islands. 5,728 shares, 2,692 shares and 1,580 shares of the Company were allotted and issued at par to Skyflying Company, Central Wealth Limited (“**Central Wealth**”) and Realtime Limited (“**Realtime**”) held by Mr. Li, Mr. Yuan Shuntang (“**Mr. Yuan**”) and Mr. Zhang Bizhong (“**Mr. Zhang**”) respectively on the same date.
- (b) On 24 December 2018, Mr. Li acquired, approximately in aggregate, 2.28% equity interest of Shenzhen Confidence from certain minority shareholders of Shenzhen Confidence at total cash consideration of RMB6,264,500.
- (c) On 29 December 2018, Mr. Li and Mr. Zhang acquired approximately 1.51% and 6.18% equity interest of Shenzhen Confidence from Xin Ju Ding Fu Equity Investment Funds (Shenzhen) Enterprise (Limited Partnership)* (信聚鼎富股權投資基金(深圳)企業(有限合伙)) (“**Xin Ju Ding Fu**”), a limited partnership controlled by Mr. Li at cash consideration of RMB1,765,100 and RMB7,248,100 respectively. On the same date, Mr. Li further acquired approximately 6.74% equity interest of Shenzhen Confidence from certain minority shareholders of Shenzhen Confidence at total cash consideration of RMB7,886,600.

- (d) On 29 December 2018, Million Way Limited (“**Million Way**”), a pre-IPO investor held by Mr. Yuen Hoi Po (“**Mr. Yuen**”), subscribed for 7% of equity interest of Shenzhen Confidence at RMB8,819,400. The considerations were fully settled on 11 February 2019.
- (e) On 2 January 2019, New Trive Limited (“**New Trive (BVI)**”) was incorporated in the BVI and held by the Company.
- (f) On 7 January 2019, New Trive (HK) Limited (“**New Trive (HK)**”) was incorporated in Hong Kong and held by New Trive (BVI).
- (g) On 8 March 2019, Xinzhi (Shenzhen) Electronic Co., Ltd.* (信智(深圳)電子有限公司) (“**Xinzhi (Shenzhen)**”) was incorporated in the People’s Republic of China (the “**PRC**”) and held by New Trive (HK).
- (h) On 14 February 2019, the Company allotted and issued 753 shares for cash consideration of RMB7 to Bright Shine Investment Holdings Limited (“**Bright Shine**”), which is controlled by Mr. Yuen.
- (i) On 12 March 2019, Xinzhi (Shenzhen) acquired the entire equity interest in Shenzhen Confidence from Mr. Li, Mr. Yuan, Mr. Zhang and Million Way, at total consideration of RMB6,000,000.

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**”) 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 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform – Phase 1
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

(b) New and amended standards issued but not yet adopted by the Group

The following new and amended standards have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions	1 June 2020
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Project	Annual Improvements 2018–2020 Cycle	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contributions of Assets between an Investor and its Associate or Joint Venture	Effective date 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 electronic manufacturing services (“EMS”).

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

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

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

During the years ended 31 December 2020 and 2019, 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 is domiciled in the PRC. The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The PRC	246,036	284,266
The United States of America (the "USA")	183	322
Others	312	–
	246,531	284,588

(b) Details of contract liabilities

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract liabilities (<i>Note 16</i>)	1,487	462

Notes:

- (i) Contract liabilities represent advanced 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 2020 and 2019 due to fluctuation in sales orders with advanced payments.
- (ii) During the years ended 31 December 2020 and 2019, 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 follow:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	72,533	104,143
Customer B	59,490	54,973
Customer C	54,358	43,910
Total	186,381	203,026

The five largest customers accounted for approximately 89% of revenue for the year ended 31 December 2020 (2019: 82%).

(d) Unsatisfied performance obligations

As at 31 December 2020 and 2019, 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 price 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 net impairment losses on financial assets and contract assets are analysed as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of raw materials and consumables used	84,889	75,826
Subcontracting charges	15,231	7,300
Employee benefit expenses and manpower service expenses, including directors' emoluments	66,116	79,487
Rental expenses of short-term leases in respect of:		
– machineries (<i>Note 14</i>)	19,655	22,662
– offices, warehouses, production plant and staff quarters (<i>Note 14</i>)	1,770	806
Utilities	4,094	4,361
Depreciation (<i>Note 10</i>)	24,858	19,944
Amortisation	296	–
Auditor's remuneration		
– Audit services (excluding listing expenses)	1,779	1,231
Listing expenses	–	18,063
Professional fees	4,520	8,439
Provision for inventories (<i>Note 12</i>)	1,176	1,811
Net impairment losses on financial assets and contract assets (<i>Note 13</i>)	235	995
Other tax and surcharges	1,815	2,186
Transportation	587	697
Travelling expenses	669	1,115
Others	7,368	5,658
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial assets and contract assets	235,058	250,581

5. OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Government grants	4,497	3,496
Equipment rental income	—	187
	<u>4,497</u>	<u>3,683</u>

6. OTHER LOSSES, NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss on disposal of property, plant and equipment	(2,665)	(608)
Exchange differences	(34)	(450)
Gain on disposal of financial assets at FVTPL	489	—
	<u>(2,210)</u>	<u>(1,058)</u>

7. FINANCE COSTS, NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Finance income		
Interest income on cash at banks	925	364
Finance costs		
Interest expenses on		
– Bank and other borrowings	(570)	(1,108)
– Leases (<i>Note 14b</i>)	(432)	(493)
	<u>(1,002)</u>	<u>(1,601)</u>
Finance costs, net	<u>(77)</u>	<u>(1,237)</u>

8. INCOME TAX EXPENSE

During the years ended 31 December 2020 and 2019, Shenzhen Confidence, the Group's major subsidiary in the PRC, has 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 2020 and 2019, 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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax		
– PRC Corporate income tax (“CIT”)	2,167	8,363
– Over-provision in prior year	(84)	(21)
	<u>2,083</u>	<u>8,342</u>
Deferred income tax	60	(657)
	<u>2,143</u>	<u>7,685</u>
Income tax expense	<u>2,143</u>	<u>7,685</u>
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before income tax	<u>13,683</u>	<u>35,395</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	1,966	5,277
Tax effect of:		
Income not taxable	(76)	(24)
Expenses not deductible for tax purpose	1,583	4,084
Tax losses for which no deferred income tax asset was recognised	163	–
Over-provision in prior year	(84)	(21)
Super deductions from research and development expenditures (<i>Note</i>)	(1,409)	(1,631)
	<u>2,143</u>	<u>7,685</u>
Income tax expense	<u>2,143</u>	<u>7,685</u>

The weighted average applicable tax rate was 14.4% for the year ended 31 December 2020 (31 December 2019: 14.9%). The change is caused by a change in the profitability mix of the Group's subsidiaries in the respective countries.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxation profits is probable. As at 31 December 2020, the Group has unrecognised tax losses of a PRC subsidiary of approximately RMB651,000 (31 December 2019: Nil) to offset against future taxable income. The unrecognised tax loss will expire in five years.

Note: 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 2020 and 2019. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue which took place on 20 September 2019.

	2020	2019
Profit for the year attributable to equity holders of the Company (<i>RMB'000</i>)	11,736	27,710
Weighted average number of ordinary shares in issue (<i>thousands of shares</i>)	250,000	198,868
Basic and diluted earnings per share (<i>RMB cents</i>)	4.69	13.93

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 2020 and 2019.

10. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019							
Cost	18,792	765	1,220	136,204	1,714	2,548	161,243
Accumulated depreciation	(6,390)	(222)	(538)	(49,697)	(710)	(828)	(58,385)
Net book amount	<u>12,402</u>	<u>543</u>	<u>682</u>	<u>86,507</u>	<u>1,004</u>	<u>1,720</u>	<u>102,858</u>
Year ended 31 December 2019							
Opening net book amount	12,402	543	682	86,507	1,004	1,720	102,858
Additions	1,515	260	1,555	34,626	–	–	37,956
Depreciation	(3,610)	(217)	(493)	(14,727)	(338)	(559)	(19,944)
Disposals	–	–	–	(608)	–	–	(608)
Transfer (<i>Note a</i>)	(2,510)	–	–	2,510	–	–	–
Closing 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>120,262</u>
At 31 December 2019							
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>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>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>154,221</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 2020 and 2019, depreciation expenses have been charged in cost of sales, selling and distribution expenses and administrative expenses as below:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of sales	21,008	16,024
Selling and distribution expenses	23	108
Administrative expenses	3,827	3,812
	24,858	19,944

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current portion		
Prepayments to suppliers	2,758	2,010
Rental and other deposits (<i>Note a</i>)	1,224	1,718
Value added tax (“VAT”) receivable	3,240	–
Other receivables (<i>Note a</i>)	6	5
	7,228	3,733
Non-current portion		
Prepayments of acquisition of property, plant and equipment	1,314	413
Rental deposits (<i>Note a</i>)	216	755
	1,530	1,168

Note:

- (a) As at 31 December 2020 and 2019, the carrying amounts of deposits and other receivables approximated their fair values. These balances were unsecured and interest free.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
RMB	8,590	4,646
HK\$	168	255
	<u>8,758</u>	<u>4,901</u>

12. INVENTORIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials	25,145	24,239

The cost of inventories recognised as expense and included in "cost of sales" during the years ended 31 December 2020 and 2019 amounted to approximately RMB85,355,000 and RMB76,554,000 respectively, which included provision for inventories amounting to approximately RMB1,176,000 during the year ended 31 December 2020 and approximately RMB1,811,000 during the year ended 31 December 2019.

13. CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract assets	55,294	38,545
Less: provision for impairment of contract assets (<i>Note 4</i>)	(106)	–
	<u>55,188</u>	<u>38,545</u>
Trade receivables	15,310	27,605
Bills receivables	145	–
Less: provision for impairment of trade receivables (<i>Note 4</i>)	(165)	(995)
	<u>15,290</u>	<u>26,610</u>
Trade and bills receivables, net	<u>70,478</u>	<u>65,155</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 2020 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 follow:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
As at 1 January	–	–
Provision for impairment of contract assets on collective basis	<u>106</u>	<u>–</u>
As at 31 December	<u><u>106</u></u>	<u><u>–</u></u>

As at 31 December 2020 and 2019, 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 2020 and 2019, the aging analysis of trade and bills receivables, net of impairment, based on invoice date, was as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
1 to 3 months	14,348	25,679
Over 3 months	<u>1,107</u>	<u>1,926</u>
	15,455	27,605
Less: Provision for impairment of trade receivables	<u>(165)</u>	<u>(995)</u>
	<u><u>15,290</u></u>	<u><u>26,610</u></u>

As at 31 December 2020 and 2019, trade receivables of approximately RMB187,000 and RMB13,863,000, were past due respectively.

Movements of the provision for impairment of trade and bills receivable were as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
As at 1 January	995	–
Provision for impairment of trade receivables on an individual basis	99	995
Provision for impairment of trade and bills receivables on a collective basis	30	–
Written-off of provision for impairment of trade receivables	<u>(959)</u>	<u>–</u>
As at 31 December	<u><u>165</u></u>	<u><u>995</u></u>

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	69,624	64,893
USD	854	262
	<u>70,478</u>	<u>65,155</u>

The maximum exposure to credit risk as at 31 December 2020 and 2019 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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets[#]		
Properties	5,455	7,006
Plant and machinery	708	791
	<u>6,163</u>	<u>7,797</u>

[#] The balances were included in Note 10 "Property, plant and equipment".

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities		
Non-current portion	1,766	4,783
Current portion	4,725	3,848
	<u>6,491</u>	<u>8,631</u>

Additions to the right-of-use assets amounted to approximately RMB2,170,000 and RMB1,515,000 during the years ended 31 December 2020 and 2019 respectively.

As at 31 December 2020 and 2019, 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:

	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Properties	3,721	3,208
Plant and machinery	<u>83</u>	<u>402</u>
	<u>3,804</u>	<u>3,610</u>
Finance costs on leases (Note 7)	<u>432</u>	<u>493</u>

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

During the years ended 31 December 2020 and 2019, the total cash outflows for leases were analysed as below:

	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Payments for short-term leases in respect of:		
– machineries (Note 4)	19,655	22,662
– offices, warehouses, production plant and staff quarters (Note 4)	1,770	806
Cash flows from financing activities		
Payment of principal element of lease liabilities	4,310	3,047
Payment of interest element of lease liabilities (Note 7)	<u>432</u>	<u>493</u>
	<u>26,167</u>	<u>27,008</u>

15. TRADE PAYABLES

As at 31 December 2020 and 2019, the aging analysis of trade payables, based on invoice date, was as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	16,664	13,446
1 to 2 months	784	1,366
2 to 3 months	749	669
Over 3 months	285	711
	<u>18,482</u>	<u>16,192</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
RMB	17,862	14,851
USD	620	1,341
	<u>18,482</u>	<u>16,192</u>

As at 31 December 2020 and 2019, the carrying amounts of trade payables approximated their fair values.

16. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Payable for operating expenses	3,094	3,892
Payable for acquisition of property, plant and equipment	10,476	54
VAT and other tax payables	5,358	6,007
Other payables	170	811
Accruals	17,010	14,397
Contract liabilities (<i>Note 3</i>)	1,487	462
	<u>37,595</u>	<u>25,623</u>

As at 31 December 2020 and 2019, 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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	30,585	23,292
USD	1,548	147
HK\$	5,462	2,184
	<u>37,595</u>	<u>25,623</u>

17. DIVIDEND

No dividends had been paid or declared by the Company during the years ended 31 December 2020 and 2019.

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 Company’s shares (the “**Shares**”) have been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 October 2019 (the “**Listing Date**”) (the “**Listing**”).

During the Reporting Period, the outbreak and the spread of the coronavirus disease (COVID-19) (the “**Novel Coronavirus Outbreak**”) throughout the world has imposed different degrees of impact on various industries. Since the Novel Coronavirus Outbreak, a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the coronavirus disease (COVID-19), including imposing restriction on the resumption of operation of production plants after the statutory holidays for Chinese New Year. The Group suspended the operation of the Group’s production plant in Shenzhen after the statutory holidays for Chinese New Year and gradually resumed its operation starting from the end of February 2020. After the Group resume the operation, late delivery of materials and lack of labor also have adverse effect on the Group’s efficiency to some extent. With the spread of the coronavirus disease (COVID-19) throughout the world and lockdown measures imposed by many countries, business and economic environment in China and the world became worse, which also has an adverse impact on the Group’s business during the Reporting Period. Even though the coronavirus disease (COVID-19) was under controlled in China in the second half year of 2020, domestic demand in China continued slowing down. During the Reporting Period, the revenue of the Group decreased by approximately RMB38.1 million from 284.6 million for the year ended 31 December 2019 to RMB246.5 million for the year ended 31 December 2020, which was attributed to the decreased sales orders from our major customer for the PCBAs for telecommunication devices and industrial-use devices caused by the Novel Coronavirus Outbreak and fierce competition in the industry.

The Group’s profit attributable to equity holders of the Company for the Reporting Period decreased by approximately 57.6% to approximately RMB11.7 million as compared with the Group’s profit of approximately RMB27.7 million for the corresponding period in 2019; while excluding the listing expenses of approximately RMB18.1 million for the corresponding period in 2019, the Group’s profit attributable to equity holders of the Company for the Reporting Period decreased by approximately 74.4%.

PROSPECTS

Looking forward, 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. 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	
	2020 RMB'000	2019 RMB'000
The PRC	246,036	284,266
The USA	183	322
Others	312	–
Total	<u>246,531</u>	<u>284,588</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 2019 respectively:

	Revenue for the year ended 31 December			% of total revenue for the year ended 31 December		
	2020 RMB'000	2019 RMB'000	Change %	2020	2019	Change
PCBAs for						
Telecommunication devices	132,475	159,691	(17.0)	53.7	56.1	(2.4)
Industrial-use devices	14,218	34,338	(58.6)	5.8	12.1	(6.3)
IoT products	96,515	89,062	8.4	39.1	31.3	7.8
Others (<i>Note</i>)	3,323	1,497	122.0	1.4	0.5	0.9
Total	<u>246,531</u>	<u>284,588</u>	<u>(13.4)</u>	<u>100.0</u>	<u>100.0</u>	<u>–</u>

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

Our revenue generated from sales of PCBAs for telecommunication devices decreased by approximately 17.0% from approximately RMB159.7 million for the year ended 31 December 2019 to approximately RMB132.5 million for the Reporting Period, primarily due to decrease in orders from our major customers who was principle engaged in production and sale of smartphone, cordless phone as a results of the deteriorated consumer market caused by the spread of the novel coronavirus disease (COVID-19) and fierce competition in the industry.

Our revenue generated from sales of PCBAs for industrial-use devices decreased by approximately 58.6% from approximately RMB34.3 million for the year ended 31 December 2019 to approximately RMB14.2 million for the Reporting Period, primarily due to the decreased orders as a result of the lockdown measures imposed by many countries to prevent the spread of the novel coronavirus disease (COVID-19) throughout the world as some of the end users of industrial-use devices were oversea customers.

Our Group recorded an increase in revenue derived from sales of PCBAs for IoT products from approximately RMB89.1 million for the year ended 31 December 2019 to approximately RMB96.5 million for the Reporting Period, which was mainly attributable to the net effect of: (i) revenue of PCBAs for IoT products from existing customers decreased due to the lockdown measures imposed by many countries as a result of the spread of the novel coronavirus disease (COVID-19) throughout the world as some of these end users of IoT Products were overseas customers; and (ii) the Group received more orders from new customers that have lower gross profit margins to enhance the Group's production utilisation rate.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB50.4 million, representing a decrease of approximately RMB43.6 million or approximately 46.4% as compared with approximately RMB94.0 million for the year ended 31 December 2019. Overall gross profit margin decreased from approximately 33.0% for the year ended 31 December 2019 to approximately 20.4% for the Reporting Period.

	Gross profit for			Gross profit margin for		
	the year ended 31 December			the year ended 31 December		
	2020	2019	Change	2020	2019	Change
	RMB'000	RMB'000	(%)	(%)	(%)	(%)
PCBAs for						
Telecommunication devices	29,951	55,394	(45.9)	22.6	34.7	(12.1)
Industrial-use devices	2,612	10,615	(75.4)	18.4	30.9	(12.5)
IoT products	17,354	27,631	(37.2)	18.0	31.0	(13.0)
Others	491	388	26.5	14.8	25.9	(11.1)
Total	<u>50,408</u>	<u>94,028</u>	<u>(46.4)</u>	<u>20.4</u>	<u>33.0</u>	<u>(12.6)</u>

PCBAs

The gross profit for PCBAs for telecommunication devices decreased by approximately 45.9% to approximately RMB30.0 million for the Reporting Period (2019: approximately RMB55.4 million). The gross profit margin decreased to approximately 22.6% for the Reporting Period (2019: approximately 34.7%), which was primarily due to the decreased price and decreased orders from the Group's major customers who was principle engaged in the production and sale of smartphone, cordless phone while certain of our operating costs remained fixed.

The gross profit for PCBAs for industrial-use devices decreased by approximately 75.4% to approximately RMB2.6 million for the Reporting Period (2019: approximately RMB10.6 million). The gross profit margin decreased to approximately 18.4% for the Reporting Period (2019: approximately 30.9%), which was mainly due to decreased orders from customers who targeted overseas markets as a result of the spread of the novel coronavirus disease (COVID-19) in the world.

The gross profit for PCBAs for IoT products decreased by approximately 37.2% to approximately RMB17.4 million for the Reporting Period (2019: approximately RMB27.6 million). The gross profit margin decreased to approximately 18.0% for the Reporting Period (2019: approximately 31.0%), which primarily due to that the Group received more orders from customers that have lower gross profit margins to enhance the Group's production utilisation while orders from existing customers with higher gross profit margins decreased significantly as a result of the Novel Coronavirus Outbreak.

Other Income

Other income of the Group for the Reporting Period of approximately RMB4.5 million (2019: approximately RMB3.7 million) mainly represented government grants.

Other Losses, net

Other (losses), net mainly represented (i) net exchange gain or loss arising and (ii) net gain or loss on disposal of property, plant and equipment. For the Reporting Period, other losses increase from approximately RMB1.1 million for the year ended 31 December 2019 to approximately RMB2.2 million for the Reporting Period, which was mainly resulted from the recognition of disposal loss on the idle and outdated equipment for the Reporting Period amounting to approximately RMB2.7 million.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) relevant employee benefit expenses; (ii) transportation costs; (iii) depreciation; (iv) legal and professional fee; and (v) entertainment expenses and other expenses. For the Reporting Period, selling and distribution expenses amounted to approximately RMB2.5 million (2019: approximately RMB2.8 million), representing a decrease of approximately 11.2% as compared to the year ended 31 December 2019. Selling and distribution expense ratio remained stable at approximately 1.0% against revenue for both the Reporting Period and the year ended 31 December 2019.

Administrative Expenses

Administrative expenses mainly represented (i) employment benefit expenses, (ii) depreciation, (iii) listing expenses and professional fee, (iv) rental expenses, (v) travelling expenses, (vi) utilities, (vii) telecommunication and office expenses and other expenses. For the Reporting Period, administrative expenses amounted to approximately RMB36.2 million (2019: approximately RMB56.2million), representing a decrease of approximately 35.6% as compared to the year ended 31 December 2019. The decrease was mainly due to listing expenses and professional fees incurred for the Listing of the Company for the year ended 31 December 2019.

Net Impairment Losses on Financial Assets and Contract Assets

Net impairment losses on financial assets and contract assets mainly represented the provision of impairment of trade receivables. For the Reporting Period, impairment loss of approximately RMB0.2 million (2019: approximately RMB1.0 million) was made against the trade receivables for customers who probably have higher credit risk.

Finance Costs, Net

Our finance costs mainly comprised interest expenses on bank and other borrowings and leases, while our finance income mainly represented interest income on our cash and cash equivalents. For the Reporting Period, the net finance costs of the Group were approximately RMB0.1 million (2019: approximately RMB1.2 million). The decrease in net finance costs was mainly due to: (i) the decreased finance cost because of the repayment of existing bank borrowings in the Reporting Period, while the new loan was borrowed by the end of 2020; and (ii) increased interest income which was in line with the increased average bank balance during the Reporting Period.

Income Tax Expense

Income tax expense decrease by approximately 72.1% from approximately RMB7.7 million for the year ended 31 December 2019 to approximately RMB2.1 million for the year ended 31 December 2020, primarily due to the decrease in profit before income tax of the Group's major subsidiary, Shenzhen Confidence by approximately 62.9%. Shenzhen Confidence, our Group's subsidiary in the PRC, has qualified for new/high-tech technology enterprises status and is therefore subject to a preferential income tax rate of 15%. Our effective tax rate, which is calculated based on income tax expenses divided by profit before income tax, was approximately 15.7% for the reporting period (2019: approximately 21.7%). The decrease in the effective tax rate mainly resulted from the non-tax deductible listing expenses and professional fees incurred for the year ended 31 December 2019, which did not happen during the Reporting Period.

Profit attributable to equity holders of the Company

As a result of the facts discussed above, profit attributable to equity holders of the Company decreased by approximately 57.6% from approximately RMB27.7 million for the year ended 31 December 2019 to approximately RMB11.7 million for the Reporting Period.

Liquidity and Capital Resources

Net Current Assets

The Group had net current assets of approximately RMB153.9 million as at 31 December 2020 (2019: approximately RMB173.4 million). The current ratio of the Group decreased from approximately 3.9 as at 31 December 2019 to 3.1 as at 31 December 2020.

Borrowing and the Pledge of Assets

The bank and other borrowings of the Group amounted to approximately RMB13.9 million as at 31 December 2020 (2019: approximately RMB8.2 million). As at 31 December 2020, the above bank borrowings were secured by bank deposits of RMB14,557,000, property, plant and equipment with carrying amounts of RMB26,130,000 and a corporate guarantee provided by the Company. As at 31 December 2019, the above bank and other borrowings were secured by property, plant and equipment with carrying amounts of RMB21,837,000 and a corporate guarantee provided by the Company.

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 4.8% and 2.9% as at 31 December 2020 and 31 December 2019, respectively. During the Reporting Period, our bank and other borrowings increased by approximately RMB5.7 million. The gearing remained low due to our low level of bank and other borrowings as well as the increase in our equity contributed by our profitable operations.

Capital Structure

The Shares were listed on the Stock Exchange on 18 October 2019. There has been no change in the capital structure of the Company since then. As at 31 December 2020, the number of issued shares of the Company was 250,000,000 ordinary shares of HK\$0.01 each.

Foreign Exchange Exposure and Exchange Rate Risk

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

Capital Expenditure

For the Reporting Period, the Group had capital expenditure of approximately RMB63.7 million (2019: approximately RMB38.0 million). The capital expenditure was mainly related to the additions of office equipment, plant and equipment.

The Joint Venture agreement (the “JV Company”)

On 30 September 2020, Shenzhen Confidence and Mr. Chen Wensheng (陳文勝) (the “**Mr. Chen**”) entered into the JV Agreement, pursuant to which, subject to the terms and conditions of the JV Agreement, (i) Shenzhen Confidence and Mr. Chen agreed to form a joint venture company, namely Chongqing Xinken Technology Company Limited* (重慶信懇科技有限公司) which will be owned as to 70% and 30% by Shenzhen Confidence and Mr. Chen, respectively; and (ii) Shenzhen Confidence and Mr. Chen will contribute to the JV Company by way of cash contribution of RMB35 million and RMB15 million, respectively. The JV Company will become a subsidiary of the Group upon its formation.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2020 (2019: 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 Scheme. 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 2020, the Group had 676 employees with a total remuneration of approximately RMB62.8 million during the Reporting Period (2019: approximately RMB72.8 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the Prospectus of the Company dated 28 September 2019 (the “**Prospectus**”) were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK\$91.9 million. During the Reporting Period, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	Actual net proceeds	Amount utilised up to 31 December 2020	Remaining balance as at 31 December 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
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	2.0	1.1
Strengthen our product testing capabilities for IoT products by setting up a cloud-based simulation platform	2.1	1.2	0.9
Upgrade our MES system and enhance our capabilities in information technology	3.1	1.3	1.8
Upgrade our existing intelligent warehouse	2.5	1.5	1.0
Repayment of bank loan and other borrowings	8.6	8.4	0.2
Working capital	9.1	6.1	3.0
	<u>91.9</u>	<u>78.8</u>	<u>13.1</u>

The unutilised net proceeds are expected to be used during the year ending 31 December 2021. The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions. The unutilised net proceeds have been placed with licensed banks in Hong Kong and PRC as interest-bearing deposits in accordance with the intention of the Board as disclosed in the Prospectus.

CAPITAL COMMITMENT

As at 31 December 2020, the Group's capital commitment amounted to approximately RMB16.7 million (2019: approximately RMB2.2 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, saved as disclosed in this announcement, there were no other material acquisition, disposal of subsidiaries, associates and joint ventures or significant investment by the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 31 December 2020 (2019: Nil).

EVENT AFTER REPORTING PERIOD

There were no significant events after the Reporting Period up to the date of this announcement.

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 Mr. Wu Tai Cheung. 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 OF 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 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 up to the date of this 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 2021 (Thursday), the register of members of the Company will be closed from 24 May 2021 (Monday) to 27 May 2021 (Thursday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 21 May 2021 (Friday). 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 Friday, 21 May 2021.

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 2020 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 reporting 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 this 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 2020 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, 25 March 2021

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

** For identification purpose only*