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 2019

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 2019 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2018.

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2019	2018
Revenue *(RMB'000)*	**284,588**	236,210
Gross profit *(RMB'000)*	**94,028**	74,264
Gross profit margin *(%)*	**33.0**	31.4
Profit for the year attributable to equity holders of the Company *(RMB'000)*	**27,710**	40,814
Earnings per share attributable to equity holders of the Company		
– Basic and diluted *(RMB cents)*	**13.93**	23.41

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019** **RMB'000**	2018 *RMB'000*
Revenue	3	**284,588**	236,210
Cost of sales	4	**(190,560)**	(161,946)
Gross profit		**94,028**	74,264
Other income	5	**3,683**	1,846
Other (losses)/gains, net	6	**(1,058)**	148
Selling and distribution expenses	4	**(2,789)**	(1,869)
Administrative expenses	4	**(56,237)**	(24,933)
Net impairment losses on financial assets	4	**(995)**	–
Operating profit		**36,632**	49,456
Finance income	7	**364**	232
Finance costs	7	**(1,601)**	(2,459)
Finance costs, net		**(1,237)**	(2,227)
Profit before income tax		**35,395**	47,229
Income tax expense	8	**(7,685)**	(6,415)
Profit for the year attributable to equity holders of the Company		**27,710**	40,814
Earnings per share attributable to equity holders of the Company			
Basic and diluted *(RMB cents)*	9	**13.93**	23.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**27,710**	40,814
Other comprehensive income:		
Item that will not be reclassified to profit or loss		
Currency translation differences	**(940)**	–
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**12**	91
Total comprehensive income for the year attributable to equity holders of the Company	**26,782**	40,905

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	10	**120,262**	102,858
Investment in an associate		**–**	–
Prepayments and deposits	11	**1,168**	2,814
Deferred tax assets		**725**	68
		122,155	105,740
Current assets			
Inventories	12	**24,239**	30,553
Contract assets	13	**38,545**	31,671
Trade and bills receivables	13	**26,610**	27,214
Prepayments, deposits and other receivables	11	**3,733**	11,309
Cash and cash equivalents		**139,172**	14,979
		232,299	115,726
Total assets		**354,454**	221,466
Equity			
Equity attributable to equity holders of the Company			
Share capital		**2,250**	–
Share premium		**98,676**	–
Retained earnings		**49,217**	26,631
Reserves		**128,530**	121,514
Total equity		**278,673**	148,145
Liabilities			
Non-current liabilities			
Bank and other borrowings		**1,600**	8,204
Lease liabilities	14	**4,783**	7,280
Deferred government grants		**10,519**	5,456
		16,902	20,940

	Note	**2019**	2018
		RMB'000	*RMB'000*
Current liabilities			
Trade payables	15	**16,192**	10,130
Other payables and accruals	16	**25,161**	18,806
Lease liabilities	14	**3,848**	2,883
Contract liabilities	16	**462**	6,539
Current income tax liabilities		**3,707**	2,386
Deferred government grants		**2,905**	1,040
Bank and other borrowings		**6,604**	10,597
		58,879	52,381
Total liabilities		**75,781**	73,321
Total equity and liabilities		**354,454**	221,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

The Company was incorporated in the Cayman Islands on 7 December 2018 as an exempted company with limited liability under the Companies Law Cap. 22, Law 3 of 1961 as consolidated and revised of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in the provision of electronic manufacturing service (the "**EMS**") (the "**Listing Business**"). 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 Intelligence Electronic Co., Ltd ("**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.

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) New and amended standards and interpretation adopted by the Group

The Group has adopted the following new and amended standards and interpretation for the first time for their annual reporting period commencing 1 January 2019:

- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements 2015–2017 cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has early adopted HKFRS 16 "Leases" since 1 January 2016, and the relevant accounting policies have been consistently applied to the Group's consolidated financial statements for all the years presented.

(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 2019 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2022
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

These new and amended standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in electronic manufacturing services.

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 2019 and 2018, 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:

	2019	2018
	RMB'000	*RMB'000*
The PRC	**284,266**	234,888
The United States of America (the "**USA**")	**322**	1,322
	284,588	236,210

(b) Details of contract liabilities

	2019	2018
	RMB'000	*RMB'000*
Contract liabilities *(Note 16)*	**462**	6,539

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 2019 and 2018 due to fluctuation in sales with advanced payments.

(ii) During the years ended 31 December 2019 and 2018, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

(c) Unsatisfied performance obligations

As at 31 December 2019 and 2018, 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.

(d) Non-current assets by geographical location

All of the Group's non-current assets other than deferred tax 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 are analysed as follows:

	2019	2018
	RMB'000	*RMB'000*
Cost of raw materials and consumables used	**75,826**	71,514
Subcontracting charges	**7,300**	1,872
Employee benefit expenses and manpower service expenses, including directors' emoluments	**79,487**	63,084
Rental expenses of short-term leases in respect of:		
– machineries	**22,662**	19,180
– offices, warehouses, production plant and staff quarters	**806**	400
Utilities	**4,361**	3,580
Depreciation *(Note 10)*	**19,944**	17,313
Auditor's remuneration		
– Audit services (excluding listing expenses)	**1,231**	200
– Non-audit services	**–**	–
Listing expenses	**18,063**	531
Professional fees	**8,439**	2,300
Provision for inventories	**1,811**	1,000
Provision for trade receivables *(Note 13)*	**995**	–
Other tax and surcharges	**2,186**	2,207
Transportation	**697**	435
Travelling expenses	**1,115**	935
Others	**5,658**	4,197
Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial assets	**250,581**	188,748

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grants	**3,496**	1,630
Equipment rental income	**187**	216
	3,683	1,846

6. OTHER (LOSSES)/GAINS, NET

	2019	2018
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(608)**	(49)
Exchange differences	**(450)**	197
	(1,058)	148

7. FINANCE COSTS, NET

	2019	2018
	RMB'000	*RMB'000*
Finance income		
Interest income on cash at banks	**364**	232
Finance costs		
Interest expenses on		
– Bank and other borrowings	**(1,108)**	(1,893)
– Leases *(Note 14(b))*	**(493)**	(566)
	(1,601)	(2,459)
Finance costs, net	**(1,237)**	(2,227)

8. INCOME TAX EXPENSE

During the years ended 31 December 2019 and 2018, Shenzhen Confidence, the Group's 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 2019 and 2018, 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.

During the years ended 31 December 2019 and 2018, no provision for U.S. Federal or State Income Tax has been made in the consolidated financial statements as the Group had no assessable profit in U.S. Federal or State.

	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– PRC Corporate income tax ("**CIT**")	**8,363**	7,131
– Over-provision in prior year	**(21)**	–
	8,342	7,131
Deferred income tax	**(657)**	(716)
Income tax expense	**7,685**	6,415

	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**35,395**	47,229
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**5,277**	7,059
Tax effect of:		
Income not taxable	**(24)**	–
Expenses not deductible for tax purpose	**4,084**	425
Over-provision in prior year	**(21)**	–
Super deductions from research and development expenditure *(Note)*	**(1,631)**	(1,069)
Income tax expense	**7,685**	6,415

The changes in the weighted average applicable tax rates were mainly due to the changes in the proportion of the taxable profits under Hong Kong profits tax and CIT which were subject to different applicable tax rates.

The increase in effective tax rate for the year ended 31 December 2019 was mainly attributable to the listing expenses incurred that were not deductible for tax purpose.

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 2019 and 2018. 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.

	2019	2018
Profit for the year attributable to equity holders of the Company (*RMB'000*)	**27,710**	40,814
Weighted average number of ordinary shares in issue *(thousands of shares)*	**198,868**	174,370
Basic and diluted earnings per share *(RMB cents)*	**13.93**	23.41

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 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	Furniture and fixtures	Office equipment	Plant and machinery	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018							
Cost	18,792	530	1,041	129,962	1,714	1,816	153,855
Accumulated depreciation	(2,998)	(68)	(251)	(57,872)	(373)	(303)	(61,865)
Net book amount	15,794	462	790	72,090	1,341	1,513	91,990
Year ended 31 December 2018							
Opening net book amount	15,794	462	790	72,090	1,341	1,513	91,990
Additions	–	235	179	29,780	–	732	30,926
Depreciation	(3,392)	(154)	(287)	(12,618)	(337)	(525)	(17,313)
Disposals	–	–	–	(2,745)	–	–	(2,745)
Closing net book amount	12,402	543	682	86,507	1,004	1,720	102,858
At 31 December 2018							
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	12,402	543	682	86,507	1,004	1,720	102,858
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 *(Note a)*	**(2,510)**	**–**	**–**	**2,510**	**–**	**–**	**–**
Closing net book amount	**7,797**	**586**	**1,744**	**108,308**	**666**	**1,161**	**120,262**
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	**7,797**	**586**	**1,744**	**108,308**	**666**	**1,161**	**120,262**

Notes:

(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.

(b) During the years ended 31 December 2019 and 2018, depreciation expenses of approximately RMB3,812,000 and RMB3,473,000 have been charged in administrative expenses; approximately RMB108,000 and RMB206,000 have been charged in selling and distribution expenses and approximately RMB16,024,000 and RMB13,634,000 have been charged in cost of sales.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Current portion		
Prepayments to suppliers	**2,010**	11,261
Rental and other deposits	**1,718**	48
Other receivables	**5**	–
	3,733	11,309
Non-current portion		
Prepayments of acquisition of property, plant and equipment	**413**	904
Rental deposits	**755**	1,910
	1,168	2,814

As at 31 December 2019 and 2018, the carrying amounts of deposits and other receivables approximated their fair values.

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

	2019	2018
	RMB'000	*RMB'000*
RMB	**4,646**	14,123
HK$	**255**	–
	4,901	14,123

12. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Raw materials	**24,239**	30,553

The cost of inventories recognised as expense and included in "cost of sales" during the years ended 31 December 2019 and 2018 amounted to approximately RMB76,554,000 and RMB70,906,000 respectively, which included provision for inventories amounted to approximately RMB1,811,000 and RMB1,000,000, respectively.

13. CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Contract assets	**38,545**	31,671
Trade receivables	**27,605**	26,034
Bills receivables	**–**	1,180
Less: provision for impairment of trade receivables	**(995)**	–
Trade and bills receivables, net	**26,610**	27,214
	65,155	58,885

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 2019 represented the amount of services that were completed but unbilled before the year-end.

As at 31 December 2019 and 2018, 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 2019 and 2018, the aging analysis of trade and bills receivables, net of impairment, based on invoice date, was as follows:

	2019	2018
	RMB'000	*RMB'000*
1 to 3 months	**25,679**	25,415
Over 3 months	**931**	1,799
	26,610	27,214

As at 31 December 2019 and 2018, trade receivables of approximately RMB13,863,000 and RMB6,958,000, were past due respectively.

During the year ended 31 December 2019, trade receivables amounting to approximately RMB995,000 were fully impaired in respect of certain debtors who were in delinquency of payments.

Movements of provision on individual basis were as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of the year	**–**	–
Provision for impairment of trade receivables on individual basis	**995**	–
At end of the year	**995**	–

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

	2019	2018
	RMB'000	*RMB'000*
RMB	**64,893**	58,885
USD	**262**	–
	65,155	58,885

The maximum exposure to credit risk as at 31 December 2019 and 2018 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:

	2019	2018
	RMB'000	*RMB'000*
Right-of-use assets*		
Properties	**7,006**	9,433
Plant and machinery	**791**	2,969
	7,797	12,402

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

	2019	2018
	RMB'000	*RMB'000*
Lease liabilities		
Non-current portion	**4,783**	7,280
Current portion	**3,848**	2,883
	8,631	10,163

Additions to the right-of-use assets amounted to approximately RMB1,515,000 and Nil during the years ended 31 December 2019 and 2018 respectively.

As at 31 December 2019 and 2018, 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:

	2019 *RMB'000*	2018 *RMB'000*
Depreciation charge of right-of use assets		
Properties	**3,208**	3,117
Plant and machinery	**402**	275
	3,610	3,392
Finance costs on leases *(Note 7)*	**493**	566

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

During the years ended 31 December 2019 and 2018, the total cash outflows for leases were analysed as below:

	2019 *RMB'000*	2018 *RMB'000*
Cash flows from operating activities		
Payments for short-term leases in respect of:		
– machineries* *(Note 4)*	**22,662**	19,180
– offices, warehouses, production plant and staff quarters* *(Note 4)*	**806**	400
Cash flows from financing activities		
Payment of interest element of lease liabilities *(Note 7)*	**493**	566
Payment of principal element of lease liabilities	**3,047**	3,294
	27,008	23,440

* Payments for short-term leases were not shown separately, but included in the line of "profit before income tax" in respect of the net cash generated from operations.

15. TRADE PAYABLES

As at 31 December 2019 and 2018, the aging analysis of trade payables, based on invoice date, was as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within 1 month	**13,446**	8,318
1 to 2 months	**1,366**	1,552
2 to 3 months	**669**	257
Over 3 months	**711**	3
	16,192	10,130

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

	2019	2018
	RMB'000	*RMB'000*
RMB	**14,851**	10,130
USD	**1,341**	–
	16,192	10,130

As at 31 December 2019 and 2018, the carrying amounts of the Group's trade payables approximated their fair values.

16. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB'000	*RMB'000*
Payable for operating expenses	**3,892**	3,215
Payable for acquisition of property, plant and equipment	**54**	124
Other tax payables	**6,007**	6,970
Other payables	**811**	118
Accruals	**14,397**	8,379
Contract liabilities *(Note 3(b))*	**462**	6,539
	25,623	25,345

As at 31 December 2019 and 2018, 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:

	2019	2018
	RMB'000	*RMB'000*
RMB	**23,292**	25,232
USD	**147**	113
HK$	**2,184**	–
	25,623	25,345

17. DIVIDEND

Dividends during the years ended 31 December 2019 and 2018 represented dividends declared and paid by the companies now comprising the Group to the then equity holders of the companies, after elimination of intra-group dividends. No dividends had been paid by the Company during the years ended 31 December 2019 and 2018.

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 on 18 October 2019 (the "**Listing Date**"), which is a significant milestone in the Company's history and strategic development. The successful listing of the Shares and the net proceeds from the public offer and placing of our Shares (the "**Share Offer**") has strengthened the Group's capital position, allowing the Group to progressively execute the business plans as disclosed in the section headed "Future plans and use of proceeds" of the prospectus of the Company dated 28 September 2019 (the "**Prospectus**").

During the Reporting Period, the Group recorded growth in both turnover and gross profit. The revenue of the Group increased by approximately RMB48.4 million from RMB236.2 million for the year ended 31 December 2018 to RMB284.6 for the Reporting Period, which was attributed to the increased sales orders from a new customer for the PCBAs for telecommunication devices and the increase demand of IOT products.

PROSPECTS

In 2020, the outbreak of novel coronavirus (COVID-19) (the "**Novel Coronavirus Outbreak**") has brought about additional uncertainties in the Group's operating environment in China. Since the Novel Coronavirus Outbreak at the beginning of the year, the Group has taken a proactive approach and adopted various anti-epidemic measures to protect the safety and health of employees as top priority. At the same time, the postponed resumption of production and related epidemic control have adversely affected the Group's business. It is expected that there will be late delivery of products in the first half year of 2020. The Group is taking proactive measures and making active responses in an effort to minimise the losses caused by the epidemic. The Group will also 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	
	2019	2018
	RMB'000	*RMB'000*
The PRC	**284,266**	234,888
The United States of America	**322**	1,322
	284,588	236,210

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 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 2018 respectively:

	Revenue for the year ended 31 December			% of total revenue for the year ended 31 December		
	2019	2018	Change	**2019**	2018	Change
	RMB'000	*RMB'000*	%			%
PCBAs for						
Telecommunication devices	**159,691**	127,203	25.5	**56.1**	53.9	2.2
Industrial-use devices	**34,338**	30,581	12.3	**12.1**	12.9	(0.8)
IoT products	**89,062**	75,183	18.5	**31.3**	31.8	(0.5)
Others (Note)	**1,497**	3,243	(53.8)	**0.5**	1.4	(0.9)
Total	**284,588**	236,210	20.5	**100**	100.0	–

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 increased by approximately 25.5% from approximately RMB127.2 million for the year ended 31 December 2018 to approximately RMB159.7 million for the Reporting Period, primarily due to that we have successfully introduced one major customer for telecommunicate devices PCBAs during the Reporting Period.

Our revenue generated from sales of PCBAs for Industrial-use devices increased by approximately 12.3% from approximately RMB30.6 million for the year ended 31 December 2018 to approximately RMB34.3 million for the Reporting Period, primarily due to that our Group began to manufacture PCBAs for solar panels for industrial-use since late 2018 and the revenue of PCBAs for solar panels increased in the Reporting Period.

Our Group recorded an increase in revenue derived from sales of PCBAs for IoT products from approximately RMB75.2 million for the year ended 31 December 2018 to approximately RMB89.1 million for the Reporting Period, which was mainly attributable to the increasing demand of loT products.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB94.0 million, representing an increase of approximately RMB19.8 million or 26.6% as compared with approximately RMB74.3 million for the year ended 31 December 2018. Overall gross profit margin increased from 31.4% for the year ended 31 December 2018 to 33.0% for the Reporting Period.

	Gross profit for the year ended 31 December			**Gross profit margin for the year ended 31 December**		
	2019	2018	Change	**2019**	2018	Change
	RMB'000	*RMB'000*	(%)	***%***	*%*	(%)
PCBAs for						
Telecommunication devices	**55,394**	42,110	31.5	**34.7**	33.1	1.6
Industrial-use devices	**10,615**	8,842	20.1	**30.9**	28.9	2.0
IoT products	**27,631**	22,745	21.5	**31.0**	30.3	0.7
Others	**388**	567	(31.6)	**25.9**	17.5	8.4
Total	**94,028**	74,264	26.6	**33.0**	31.4	1.6

PCBAs

The gross profit for PCBAs for telecommunication devices increased by approximately 31.5% to approximately RMB55.4 million for the Reporting Period (2018: approximately RMB42.1million). The gross profit margin increased to approximately 34.7% for the Reporting Period (2018: approximately 33.1%), which primarily resulted from (i) the increased sales orders from a new customer; and (ii) additional automated testing lines implemented in the late of 2018 to improve the production efficiency.

The gross profit for PCBAs for Industrial-use devices increased by approximately 20.1% to approximately RMB10.6 million for the Reporting Period (2018: approximately RMB8.8 million). The gross profit margin increased to approximately 30.9% for the Reporting Period (2018: approximately 28.9%), which was mainly due to change in product mix as our Group began to manufacture PCBAs for solar panels since late 2018 as evidenced by the revenue derived from sales of PCBAs for solar panels which had a higher gross profit margin.

The gross profit for PCBAs for IoT products increased by approximately 21.5% to approximately RMB27.6 million for the Reporting Period (2018: approximately RMB22.7 million). The gross profit margin increased to approximately 31.0% for the Reporting Period (2018: approximately 30.3%), which primarily resulted from: (i) the increased sales orders from existing customers; (ii) additional automated testing lines implemented in late 2018 to improve the production efficiency; and (iii) a more competitive price was offered to new customers to secure more business opportunities.

Other Income

Other income of the Group for the Reporting Period of approximately RMB3.7 million (2018: approximately RMB1.8 million) mainly represented government grants and rental income of equipment.

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 RMB2.8 million (2018: approximately RMB1.9 million), representing an increase of approximately 49.2% as compared to the year ended 31 December 2018. Selling and distribution expense ratio remained stable at approximately 1.0% and 0.8% against revenue for the Reporting Period and the year ended 31 December 2018, respectively.

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 RMB56.2 million (2018: approximately RMB24.9 million), representing an increase of approximately 125.6% as compared to the year ended 31 December 2018. The increase was mainly due to listing expenses and professional fees incurred for the Listing of the Company in October 2019.

Net impairment losses on financial assets

Net impairment losses on financial assets mainly represented the provision of impairment of trade receivables. For the Reporting Period, impairment of approximately RMB1.0 million (2018: Nil) were made against the trade receivables for a customer who was in financial difficulties.

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 RMB1.2 million (2018: approximately RMB2.2 million). The decrease in net finance costs was mainly due to the decreased borrowing balances from approximately RMB18.8 million as at 31 December 2018 to approximately RMB8.2 million as at 31 December 2019 as a result of the repayment during the Reporting Period.

Income Tax Expense

Income tax expense increased by approximately 19.8% from approximately RMB6.4 million for the year ended 31 December 2018 to approximately RMB7.7 million for the year ended 31 December 2019, primarily due to the increase in profit before income tax of the Group's major subsidiary, Shenzhen Confidence by approximately 22.7%. 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 21.7% for the Reporting Period (2018: approximately 13.6%). The increase in the effective tax rate mainly resulted from the increased non-tax deductible listing expenses and professional fees incurred 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 32.1% from approximately RMB40.8 million for the year ended 31 December 2018 to approximately RMB27.7 million for the Reporting Period.

Liquidity and Capital Resources

Net Current Assets

The Group had net current assets of approximately RMB173.4 million as at 31 December 2019 (2018: approximately RMB63.3 million). The current ratio of the Group increased from approximately 2.2 as at 31 December 2018 to 3.9 as at 31 December 2019.

Borrowing and the Pledge of Assets

The bank and other borrowings of the Group amounted to approximately RMB8.2 million as at 31 December 2019 (2018: approximately RMB18.8 million). As at 31 December 2019, the borrowings were secured by properties, plant and equipment and guarantee from the Company. As at 31 December 2018, the borrowings were secured by properties, plant and equipment and personal guarantee from Mr. Li Hao, Mr. Yuan Shuntang and Mr. Xu Shizhen.

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 2.9% and 12.7% as at 31 December 2019 and 31 December 2018, respectively. During the Reporting Period, our bank and other borrowings decreased by approximately RMB10.6 million. The gearing remained low due to our low level of bank 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 2019, 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 for the years ended 31 December 2018 and 2019 as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities.

Capital Expenditure

For the Reporting Period, the Group had capital expenditure of approximately RMB38.0 million (2018: approximately RMB30.9 million). The capital expenditure was mainly related to the additions of office equipment, plant and equipment.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2019 (2018: Nil).

EMPLOYEES, EMOLUMENTS POLICY AND TRAINING

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

As at 31 December 2019, the Group had 826 employees with a total remuneration of approximately RMB72.8 million during the Reporting Period (2018: approximately RMB59.4 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 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 period from the Listing Date, being the date on which dealings in the Shares first commenced in the Stock Exchange, to 31 December 2019, the net proceeds from the Share Offer had been applied as follows:

				Expected timeline for the unutilised net proceeds to be utilised	
Business objectives as stated in the Prospectus	**Actual net proceeds**	**Amount utilised up to 31 December 2019**	**Remaining balance as at 31 December 2019**	**For the year ending 31 December 2020**	**For the year ending 31 December 2021**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Enhance our production capacity and efficiency	49.9	21.2	28.7	9.1	19.6
Enhance the level of automation in our quality control and packaging system	7.6	7.5	0.1	0.1	–
Strengthen our product design and enhancement capabilities in respect of our PCBAs applicable to telecommunication devices and IOT devices	5.9	–	5.9	2.6	3.3
Further strengthen our research and development capabilities	3.1	0.7	2.4	1.4	1.0
Strengthen our product testing capabilities for IOT products by setting up a cloud-based simulation platform	2.1	–	2.1	1.2	0.9
Upgrade our MES system and enhance our capabilities in information technology	3.1	0.3	2.8	1.4	1.4
Upgrade our existing intelligent warehouse	2.5	0.2	2.3	1.1	1.2
Repayment of bank loan and other borrowings	8.6	2.0	6.6	6.6	–
Working capital	9.1	2.0	7.1	4.1	3.0
	91.9	33.9	58.0	27.6	30.4

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 2019, the Group's capital commitment amounted to approximately RMB2.2 million (2018: approximately RMB1.1 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 AND SIGNIFICANT INVESTMENT

During the Reporting Period, there were no material acquisition, disposal or significant investment by the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 31 December 2019 (2018: Nil).

EVENT AFTER REPORTING PERIOD

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 Novel Coronavirus Outbreak, including imposing restriction on resumption date of production after the Chinese New Year Holiday.

The operation of the Group's production plant in Shenzhen (the "**Shenzhen Production Plant**") has been suspended after the statutory holidays for Chinese New Year as part of the Chinese government's countermeasures in containing the Novel Coronavirus Outbreak.

After inspection being done at the Shenzhen Production Plant, the Group received an official notice on 19 February 2020 approving the resumption of limited production of the Shenzhen Production Plant. As such, the Shenzhen Production Plant resumed its operation and production started on 20 February 2020.

However, due to the suspension or limited service of transportation facilities in certain areas, certain workers in the affected provinces and municipalities are unable to return to the Shenzhen Production Plant as planned, which is expected to result in temporary drop in production capacity of the Shenzhen Production Plant shortly after the resumption of operation of the Shenzhen Production Plant. The Novel Coronavirus Outbreak has also adversely affected the supply chain logistics and the Group has experienced delay in the supply of raw materials from its suppliers. It is expected that the Shenzhen Production Plant will experience delay in reaching its original production schedule and there will be late delivery of products in the first half of 2020.

Under such special circumstances, the Group is currently working closely with its suppliers to speed up the delivery of raw materials, and is liaising with its customers to adjust the delivery schedule, so as to minimize any negative economic impact on the Group, its suppliers and its customers.

The suspension and the temporarily lower than original production level are likely to have a negative impact on the Group's future financial results. The Group will continue to assess the impact of Novel Coronavirus Outbreak on the financial performance and closely monitor the development of the Novel Coronavirus Outbreak and the exposure to the risks and uncertainties in this connection. The Company will take appropriate measures as necessary.

CORPORATE GOVERNANCE PRACTICES

For the period under review, the Company has complied with the code provisions set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules except CG Code provision A.2.1.

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 Company established an audit committee (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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "**Listing Rules**") 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 internal control procedures of our Group. The Audit Committee now comprises three members, all being independent non-executive Directors, namely, Mr. Wong Chun Sek Edmund (Chairman), Mr. Chen Zhong and Mr. Wu Tai Cheung.

The Audit Committee had reviewed the audited annual results of the Group for the year ended 31 December 2019.

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 29 May 2020 (Friday), the register of members of the Company will be closed from 26 May 2020 (Tuesday) to 29 May 2020 (Friday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 25 May 2020 (Monday). During the above closure period, no transfer of shares will be registered. To be eligible to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 25 May 2020.

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 2019 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 2019 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, 26 March 2020

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*