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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 2022

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 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021.

	2022	2021
Revenue (<i>RMB'000</i>)	263,248	353,896
Gross profit (<i>RMB'000</i>)	29,383	53,980
Gross profit margin (%)	11.2	15.3
(Loss) Profit for the year (<i>RMB'000</i>)	(7,077)	10,073
(Losses) Earnings per share for the (loss) profit attributable to owners of the Company		
Basic and diluted (<i>RMB cents</i>)	(3.63)	2.90

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Revenue	4	263,248	353,896
Cost of sales		<u>(233,865)</u>	<u>(299,916)</u>
Gross profit		29,383	53,980
Other income	5	7,022	6,406
Other losses, net	6	(2,021)	(928)
Selling and distribution expenses		(2,996)	(3,366)
Administrative and other operating expenses		(39,594)	(42,311)
Impairment losses on financial assets and contract assets	7	(290)	(240)
Gain on bargain purchase arising from the acquisition of a subsidiary		2,133	–
Finance costs	7	<u>(1,203)</u>	<u>(1,216)</u>
(Loss) Profit before tax	7	(7,566)	12,325
Income tax credits (expenses)	8	<u>489</u>	<u>(2,252)</u>
(Loss) Profit for the year		<u>(7,077)</u>	<u>10,073</u>
(Loss) Profit for the year attributable to:			
– Owners of the Company		(9,079)	7,241
– Non-controlling interests		<u>2,002</u>	<u>2,832</u>
		<u>(7,077)</u>	<u>10,073</u>
		<i>RMB cents</i>	<i>RMB cents</i>
(Losses) Earnings per share for the (loss) profit attributable to owners of the Company			
Basic and diluted	9	<u>(3.63)</u>	<u>2.90</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
YEAR ENDED 31 DECEMBER 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss) Profit for the year	<u>(7,077)</u>	<u>10,073</u>
Other comprehensive income (loss):		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences on translation of the Company's financial statements to presentation currency	4,752	(1,711)
Financial assets at fair value through other comprehensive income ("FVOCI")		
– Changes in fair value taken to reserves	673	(5,173)
– Gains on disposal taken to reserves	–	1,116
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of foreign operations	3,952	168
Exchange reserve released upon deregistration of a subsidiary	–	(43)
Total other comprehensive income (loss) for the year	<u>9,377</u>	<u>(5,643)</u>
Total comprehensive income for the year	<u>2,300</u>	<u>4,430</u>
Total comprehensive income for the year attributable to:		
– Owners of the Company	298	1,598
– Non-controlling interests	<u>2,002</u>	<u>2,832</u>
	<u>2,300</u>	<u>4,430</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	11	145,741	177,744
Intangible assets		17,097	1,278
Investment in an associate		–	–
Prepayments and deposits	12	2,785	3,186
Deferred tax assets		7,972	2,403
Financial assets at FVOCI		9,840	8,369
		183,435	192,980
Current assets			
Inventories	13	17,843	30,460
Contract assets	14	39,318	55,052
Trade and bills receivables	14	36,694	52,973
Prepayments, deposits and other receivables	12	3,658	3,286
Financial asset at amortised cost		17,274	16,080
Pledged bank deposits		1,696	1,695
Cash and cash equivalents		111,502	48,926
		227,985	208,472
Current liabilities			
Trade payables	15	23,821	17,499
Contract liabilities	16	4,180	1,503
Other payables and accruals	16	35,475	35,147
Bank borrowings		8,022	12,614
Lease liabilities	17	4,391	5,140
Income tax payable		3,754	1,752
Deferred government grants		4,088	4,277
		83,731	77,932
Net current assets		144,254	130,540
Total assets less current liabilities		327,689	323,520

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities	17	5,286	7,553
Deferred government grants		14,917	15,999
Deferred tax liabilities		1,215	2,107
		<u>21,418</u>	<u>25,659</u>
NET ASSETS		<u>306,271</u>	<u>297,861</u>
Capital and reserves			
Share capital		2,250	2,250
Share premium		98,676	98,676
Retained earnings		55,891	65,632
Other reserves		131,206	121,167
Equity attributable to owners of the Company		288,023	287,725
Non-controlling interests		18,248	10,136
TOTAL EQUITY		<u>306,271</u>	<u>297,861</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Confidence Intelligence Holdings Limited (the “**Company**”, together with its subsidiaries are collectively referred to as the “**Group**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 7 December 2018. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 October 2019. The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company’s principal place of business is situated at Unit 702, 7th Floor, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong and the Group’s headquarter is situated at No. 7 Building, New Development Zone, Baishixia, Fuyong Street, Bao’an District, Shenzhen, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of (i) electronic manufacturing service (“**EMS**”) and (ii) financial-related application platform (“**Financial Application Platform**”) and related maintenance services (“**Platform Maintenance Services**”).

The immediate and ultimate holding company of the Company is Skyflying Company Limited, which is incorporated in the British Virgin Islands (the “**BVI**”). In the opinion of the directors of the Company, the ultimate controlling party of the Group is Mr. Li Hao (the “**Ultimate Controlling Party**”).

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”) and all amounts have been rounded to the nearest thousand (“**RMB’000**”), unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current period.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

The adoption of these amendments does not have any significant impact on the consolidated financial statements.

Future changes in HKFRSs

The HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted.

Amendments to HKAS 1	Disclosure of Accounting Policies ⁽¹⁾
Amendments to HKAS 8	Definition of Accounting Estimates ⁽¹⁾
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽¹⁾
HKFRS 17	Insurance Contracts ⁽¹⁾
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information ⁽¹⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁽²⁾
Amendments to HKAS 1	Non-current Liabilities with Covenants ⁽²⁾
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2023

⁽²⁾ Effective for annual periods beginning on or after 1 January 2024

⁽³⁾ The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

In order to realise business diversification, the Group has commenced the business of provision of Financial Application Platform and Platform Maintenance Services during the year ended 31 December 2022. The executive directors of the Company who make strategic decisions have been identified as the chief operating decision maker (“**CODM**”) to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group's internal financial reporting, the CODM considers that the operating segments of the Group comprise:

(1) Provision of EMS

(2) Provision of Financial Application Platform and Platform Maintenance Services

Segment results represent results before tax reported by each segment without allocation of certain other income and other losses, net, certain selling and distribution expenses, certain administrative and other operating expenses incurred by the corporate office, certain impairment losses on financial assets and contract assets, gain on bargain purchase arising from the acquisition of a subsidiary and finance costs which are considered as unallocable income and expenses. This is the measure reported to the CODM of the Company for the purposes of resource allocation and performance assessment.

All assets are allocated to reportable segments other than financial assets at FVOCI, certain prepayments, deposits and other receivables, financial asset at amortised cost, certain pledged bank deposits and certain cash and cash equivalents. All liabilities are allocated to reportable segments other than certain other payables and accruals.

In determining the Group's geographical segments, revenue is attributable to the segments based on the location of customers; assets and capital expenditure are attributable to the segments based on the locations of the assets.

The Group completed the acquisition of a new business segment – provision of Financial Application Platform and Platform Maintenance Services through a newly acquired subsidiary, Shanghai Regan Financial Information Service Co., Ltd.* (“**Regan Financial Information**”) (上海雷根金融信息服務有限公司) on 3 November 2022. Before that, the Group has determined that it only has one reportable operating segment which is the provision of EMS. As this is the only operating segment of the Group prior to the acquisition of Regan Financial Information, no further analysis for segment information is presented for the year ended 31 December 2021.

(A) By Business Segments

	Provision of of EMS RMB'000	Provision of Financial Application Platform and Platform Maintenance Services RMB'000	Consolidated RMB'000
Year ended 31 December 2022			
Segment revenue	260,514	2,734	263,248
Segment results	(2,622)	(1,020)	(3,642)
Unallocated other income			16
Unallocated other gains, net			1,793
Unallocated selling and distribution expenses			(345)
Unallocated administrative and other operating expenses			(7,233)
Impairment losses on financial assets and contract assets			(288)
Gain on bargain purchase arising from the acquisition of a subsidiary			2,133
Loss before tax			(7,566)
Income tax credits			489
Loss for the year			(7,077)

A major customer is a customer (including a group of entities under common control) with whom revenue from transactions amounted to 10% or more of the Group's total revenue in the respective reporting period.

Revenue from customers (including a group of entities under common control) individually contributed over 10% of the total revenue of the Group is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	72,179	147,481
Customer B	63,240	100,224
Customer C	30,067	35,328
Customer D	30,775	N/A
	<u>196,261</u>	<u>283,033</u>

Revenue from Customer D was less than 10% of the total revenue for the year ended 31 December 2021.

The five largest customers accounted for approximately 82% of the Group's total revenue for the year ended 31 December 2022 (2021: approximately 87%).

An analysis of the Group's assets and liabilities by operating segments is set out below:

	Provision of EMS <i>RMB'000</i>	Provision of Financial Application Platform and Platform Maintenance Services <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Consolidated <i>RMB'000</i>
At 31 December 2022				
Segment assets	<u>354,409</u>	<u>23,347</u>	<u>33,664</u>	<u>411,420</u>
Segment liabilities	<u>(94,521)</u>	<u>(8,028)</u>	<u>(2,600)</u>	<u>(105,149)</u>
Year ended 31 December 2022				
<i>Other segment information:</i>				
Amortisation	819	295	–	1,114
Depreciation	39,609	9	–	39,618
(Loss) Gain on disposal of property, plant and equipment, net	(475)	8	–	(467)
Exchange (loss) gain, net	(3,350)	–	20	(3,330)
Bank interest income	1,143	–	16	1,159
Finance costs	1,203	–	–	1,203
Provision for write-down of inventories, net	1,007	–	–	1,007
Impairment loss on financial assets and contract assets, net	2	–	288	290
Additions to property, plant and equipment (including right-of-use assets)	7,962	20	–	7,982
Additions to intangible assets	1,079	3,207	–	4,286

(B) By Geographic Information

(i) Revenue from external customers

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

	Provision of EMS RMB'000	Provision of Financial Application Platform and Platform Maintenance Services RMB'000	Consolidated RMB'000
Year ended 31 December 2022			
The PRC	260,443	2,734	263,177
The United States of America (the "USA")	71	–	71
	<u>260,514</u>	<u>2,734</u>	<u>263,248</u>
	Provision of EMS RMB'000	Provision of Financial Application Platform and Platform Maintenance Services RMB'000	Consolidated RMB'000
Year ended 31 December 2021			
The PRC	353,615	–	353,615
The USA	281	–	281
	<u>353,896</u>	<u>–</u>	<u>353,896</u>

(ii) Non-current assets by geographical location

At 31 December 2022 and 2021, all of the Group's non-current assets were located in the PRC.

4. REVENUE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers within HKFRS 15		
<i>Overtime</i>		
– Provision of EMS	260,514	353,896
– Provision of Platform Maintenance Services	942	–
<i>Point in time</i>		
– Provision of Financial Application Platform	1,792	–
	<u>263,248</u>	<u>353,896</u>

The amounts of revenue recognised for the year ended 31 December 2022 that were included in the contract liabilities at the beginning of the reporting period was approximately RMB1,503,000 (2021: RMB1,487,000) (Note 16).

During the years ended 31 December 2022 and 2021, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue (Note 16).

5. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	1,159	649
Government subsidies (<i>Note</i>)	5,765	5,684
Others	98	73
	<u>7,022</u>	<u>6,406</u>

Note: Government grants primarily represent subsidies from relevant local government authorities granted to the Group for purchase of certain qualified property, plant and equipment for its operation. During the year ended 31 December 2022, the assets related grants were approximately RMB4,381,000 (2021: RMB4,564,000). There are no unfulfilled conditions or contingencies attached to the remaining government grants for the years ended 31 December 2022 and 2021.

6. OTHER LOSSES, NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income from unlisted corporate bonds	1,571	–
Dividend income	205	–
Loss on disposal of property, plant and equipment, net	(467)	(1,580)
Exchange (loss) gain, net	(3,330)	610
Gain on exchange reserve released upon deregistration of a subsidiary	–	43
Changes in fair values on financial assets at FVTPL	–	(1)
	<u>(2,021)</u>	<u>(928)</u>

7. (LOSS) PROFIT BEFORE TAX

This is stated after charging (crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Finance costs		
Interest on bank borrowings	516	889
Interest on lease liabilities	687	327
	<u>1,203</u>	<u>1,216</u>
Staff costs (including directors' emoluments)		
Salaries, discretionary bonus, allowances and other benefits in kind	71,263	85,019
Contributions to defined contribution plans (<i>Note i</i>)	3,609	3,767
	<u>74,872</u>	<u>88,786</u>
Manpower service expenses (<i>Note ii</i>)	5,667	14,746
	<u>80,539</u>	<u>103,532</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other expenses by nature		
Cost of raw materials and consumables used	91,901	123,314
Subcontracting charges	15,643	27,276
Expenses recognised under short-term leases		
– Machineries	17,397	24,383
– Offices, warehouses, production plant and staff quarters	4,483	3,467
Utilities	6,660	7,649
Depreciation (charged to “cost of sales” and “administrative and other operating expenses”, as appropriate) (<i>Note iii</i>)	39,618	37,665
Amortisation (charged to “cost of sales” and “administrative and other operating expenses”, as appropriate)	1,114	744
Auditor's remuneration	1,695	1,701
Professional fees	5,844	5,682
Provision for (Reversal of) write-down of inventories, net	1,007	(1,264)
Impairment losses on financial assets and contract assets	290	240
Other tax and surcharges	2,698	1,536
Transportation	149	301
Travelling expenses	1,012	1,579
Others	6,695	8,028
	<u>196,206</u>	<u>242,301</u>
Total cost of sales, selling and distribution expenses, administrative and other operating expenses and impairment losses on financial assets and contract assets	<u>276,745</u>	<u>345,833</u>

Notes:

- (i) As stipulated under the relevant rules and regulations in the PRC, the subsidiary operating in the PRC contributes to state-sponsored retirement plans for its employees. For the years ended 31 December 2022 and 2021, depending on the provinces of the employees' registered residences and their current region of work, the subsidiary contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.
- (ii) During the years ended 31 December 2022 and 2021, the Group entered into certain manpower service arrangements with several external manpower service organisations in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these organisations at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group did not have any employment relationship with the Group.
- (iii) During the years ended 31 December 2022 and 2021, depreciation expenses have been charged in costs of sales and administrative and other operating expenses, as appropriate, as below:

	2022	2021
	RMB'000	RMB'000
Costs of sales	33,530	33,537
Administrative and other operating expenses	6,088	4,128
	39,618	37,665

8. TAXATION

	2022	2021
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax ("PRC EIT")	2,854	1,883
Deferred taxation		
Changes in temporary differences	(3,343)	369
Total income tax (credits) expenses	(489)	2,252

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax during the years ended 31 December 2022 and 2021.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the years ended 31 December 2022 and 2021.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% except for Shenzhen Confidence Intelligence Electronic Co. Limited* ("Shenzhen Confidence Intelligence") (深圳信懋智能電子有限公司) and Regan Financial Information which were recognised as High and New Technology Enterprise and is entitled to a preferential tax rate of 15% during the year ended 31 December 2022 (2021: Shenzhen Confidence Intelligence recognised as High and New Technology Enterprise). The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years.

Reconciliation of income tax (credits) expenses

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss) Profit before tax	<u>(7,566)</u>	<u>12,325</u>
Income tax at statutory tax rate applicable in respective tax jurisdictions	(418)	3,099
Tax exempt revenue	(455)	(56)
Non-deductible expenses	1,778	1,489
Utilisation of previously unrecognised tax losses	(31)	(163)
Unrecognised tax losses	644	–
Super deductions on research and development expenses (<i>Note i</i>)	<u>(2,007)</u>	<u>(2,117)</u>
Total income tax (credits) expenses	<u>(489)</u>	<u>2,252</u>

Note:

- (i) 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.

Deferred 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. At 31 December 2022, the Group recognised deferred tax assets arising from tax losses of RMB3,118,000 (2021: Nil) through acquisition of a subsidiary.

At 31 December 2022, the Group has unrecognised tax losses of approximately RMB403,000 and RMB3,855,000, respectively, arising in Hong Kong and the PRC which are available for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses due to the uncertainty of future taxable profits against which the tax losses can be utilised. The tax losses arising in Hong Kong and the PRC can be carried forward against future taxable profits. Under the current tax legislation, the tax losses arising in Hong Kong can be carried forward indefinitely and the tax losses arising in the PRC can be carried forward for a maximum of 10 years from the year in which the tax loss was incurred as the entity which arose the tax loss is recognised as High and New Technology Enterprise in the PRC.

9. (LOSSES) EARNINGS PER SHARE

The calculation of basic and diluted (losses) earnings per share attributable to owners of the Company is based on the following information:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>(Loss) Profit:</i>		
(Loss) Profit for the year attributable to owners of the Company, used in basic and diluted (losses) earnings per share calculation	<u>(9,079)</u>	<u>7,241</u>
	<i>'000</i>	<i>'000</i>
<i>Number of shares:</i>		
Weighted average number of ordinary shares for basic and diluted (losses) earnings per share calculation	<u>250,000</u>	<u>250,000</u>
	<i>RMB cents</i>	<i>RMB cents</i>
<i>(Losses) Earnings per share</i>		
Basic and diluted (losses) earnings per share	<u>(3.63)</u>	<u>2.90</u>

The basic (losses) earnings per share is calculated by dividing the (loss) profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2021.

Diluted (losses) earnings per share are same as the basic (losses) earnings per share as there are no potential dilutive ordinary shares in existence for the years ended 31 December 2022 and 2021.

10. DIVIDENDS

The directors did not recommend a payment of any dividend for the year ended 31 December 2022 (2021: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets (Note iii) RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Total RMB'000
Reconciliation of carrying amount – year ended 31 December 2021								
At the beginning of the reporting period	6,163	1,829	141,139	444	364	4,282	–	154,221
Additions	15,380	1,190	37,793	138	200	2,484	9,951	67,136
Disposals	–	–	(5,948)	–	–	–	–	(5,948)
Transfers (Note i)	(633)	–	633	–	–	–	–	–
Depreciation	(8,390)	(1,231)	(23,326)	(287)	(337)	(3,897)	(197)	(37,665)
At the end of the reporting period	<u>12,520</u>	<u>1,788</u>	<u>150,291</u>	<u>295</u>	<u>227</u>	<u>2,869</u>	<u>9,754</u>	<u>177,744</u>
Reconciliation of carrying amount – year ended 31 December 2022								
At the beginning of the reporting period	12,520	1,788	150,291	295	227	2,869	9,754	177,744
Additions	3,014	432	3,324	110	160	942	–	7,982
Disposals	–	–	(467)	–	–	–	–	(467)
Acquired through acquisition of a subsidiary	–	100	–	–	–	–	–	100
Depreciation	(6,276)	(1,148)	(28,608)	(170)	(67)	(2,876)	(473)	(39,618)
At the end of the reporting period	<u>9,258</u>	<u>1,172</u>	<u>124,540</u>	<u>235</u>	<u>320</u>	<u>935</u>	<u>9,281</u>	<u>145,741</u>

	Right-of-use assets (Note iii) RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Total RMB'000
At 31 December 2021								
Cost	19,238	5,041	238,577	1,298	1,914	10,115	9,951	286,134
Accumulated depreciation	(6,718)	(3,253)	(88,286)	(1,003)	(1,687)	(7,246)	(197)	(108,390)
Net carrying amount	<u>12,520</u>	<u>1,788</u>	<u>150,291</u>	<u>295</u>	<u>227</u>	<u>2,869</u>	<u>9,754</u>	<u>177,744</u>
At 31 December 2022								
Cost	14,383	5,625	241,045	1,408	2,074	11,057	9,951	285,543
Accumulated depreciation	(5,125)	(4,453)	(116,505)	(1,173)	(1,754)	(10,122)	(670)	(139,802)
Net carrying amount	<u>9,258</u>	<u>1,172</u>	<u>124,540</u>	<u>235</u>	<u>320</u>	<u>935</u>	<u>9,281</u>	<u>145,741</u>

Notes:

- (i) The Group has exercised the purchase options and transferred certain assets from right-of-use assets to plant and machineries at the end of the lease terms during the year ended 31 December 2021.
- (ii) At 31 December 2022, the carrying amount of the Group's property, plant and equipment (excluding right-of-use assets) of approximately RMB22,960,000 (2021: RMB25,038,000) was pledged to secure banking facilities.
- (iii) Right-of-use assets

Extension and termination options

The lease contracts of leased properties contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leased properties is normally exercised because the Group does not want to incur additional costs, such as leasehold improvements, while exercising the termination option is normally unusual unless the Group could replace the leased properties without significant cost or acquisition of a new property. The Group seldom exercises options that were not included in the lease liabilities. During the years ended 31 December 2022 and 2021, all of lease contracts for leased properties contains an extension or termination option, in which the total lease payment made amounted to approximately RMB5,238,000 and RMB9,178,000, respectively, representing the total cash outflows for lease during the respective reporting periods.

Restriction or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

Commitments under leases

At 31 December 2022, the Group was committed to short-term leases or low-value asset leases of approximately RMB1,832,000 (2021: Nil).

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current portion		
Prepayments to suppliers	535	480
Prepayment for a leased warehouse	897	–
Rental and other deposits (<i>Note i</i>)	1,107	854
Interest receivables from unlisted corporate bonds	110	–
Value added tax (“VAT”) receivable	416	414
Other receivables (<i>Note i & ii</i>)	593	1,538
	<u>3,658</u>	<u>3,286</u>
Non-current portion		
Prepayments of acquisition of property, plant and equipment	1,489	2,719
Rental deposits (<i>Note i</i>)	1,296	467
	<u>2,785</u>	<u>3,186</u>
	<u><u>6,443</u></u>	<u><u>6,472</u></u>

Notes:

- (i) At 31 December 2022 and 2021, the carrying amounts of deposits and other receivables approximated their fair values. These balances were unsecured and interest free.
- (ii) During the year ended 31 December 2021, the Group sold certain machinery to Shenzhen Puneda Electronic Co., Ltd* (“**Shenzhen Puneda Electronic**”) (深圳市普能達電子有限公司), which is a related company of the Group at a consideration of RMB4,268,000. At 31 December 2021, the unsettled balance of the total consideration to be received from Shenzhen Puneda Electronic was recognised under other receivables. The Amount had been fully recovered during the year ended 31 December 2022.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
RMB	6,194	6,348
HK\$	249	124
	<u>6,443</u>	<u>6,472</u>

13. INVENTORIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Raw materials	21,574	33,184
Less: Write-down provision	<u>(3,731)</u>	<u>(2,724)</u>
	<u>17,843</u>	<u>30,460</u>

The cost of inventories recognised as expenses and included in “cost of sales” during the year ended 31 December 2022 was approximately RMB91,901,000 (2021: RMB123,314,000) (Note 7).

A provision for write down of inventories, net, amounting to approximately RMB1,007,000 was recognised in the consolidated profit or loss and included in “cost of sales” for the year ended 31 December 2022 (2021: reverse of write-down of inventories, net, amounting to approximately RMB1,264,000) (Note 7).

14. CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract assets		39,318	55,158
Less: Loss allowances for contract assets		<u>–</u>	<u>(106)</u>
Contract assets, net	14(a)	<u>39,318</u>	<u>55,052</u>
Trade receivables from third parties		30,430	51,788
Less: Loss allowances for trade receivables		<u>(131)</u>	<u>(129)</u>
Trade receivables, net	14(b)	<u>30,299</u>	<u>51,659</u>
Bills receivables	14(c)	<u>6,395</u>	<u>1,314</u>
Contract assets, trade and bills receivables, net	14(d)	<u>76,012</u>	<u>108,025</u>

14(a). Contract assets

Contract assets represent the Group’s rights to consideration for work completed but unbilled for its services provided for EMS segment. The contract assets are transferred to trade receivables when the rights become unconditional, which generally takes one to four months (2021: one to three months).

Movements of contract assets are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At the beginning of the reporting period	55,052	55,294
Additions	39,318	55,158
Transferred to trade receivables	(55,158)	(55,294)
Provision for loss allowances	–	(106)
Written off	<u>106</u>	<u>–</u>
At the end of the reporting period	<u>39,318</u>	<u>55,052</u>

At 31 December 2022 and 2021, the contract assets are expected to be recovered within 12 months.

14(b). Trade receivables from third parties

The Group's business with its trade debtors is mainly on credit basis and the credit period is ranging from 30 to 120 days (2021: 30 to 90 days). At the end of the reporting period, the ageing analysis of trade receivables, net of loss allowance, by invoice date was as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than 1 month	18,139	34,298
1 to 2 months	5,086	12,659
2 to 3 months	4,113	3,907
Over 3 months	2,961	795
	30,299	51,659

At the end of the reporting period, the ageing analysis of trade receivables (net of loss allowance) by due date is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Not past due	29,560	41,242
Less than 1 month past due	373	10,417
1 to 2 months past due	120	–
2 to 3 months past due	246	–
	30,299	51,659

14(c). Bills receivables

At 31 December 2022 and 2021, all bill receivables are interest-free and guaranteed by banks in the PRC and have maturities of less than six months.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
RMB	73,887	107,952
USD	2,125	73
	76,012	108,025

15. TRADE PAYABLES

The trade payables are unsecured, interest-free and with normal credit terms ranging from 30–90 days.

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	15,899	13,396
1 to 2 months	7,759	2,503
2 to 3 months	84	1,546
Over 3 months	79	54
	23,821	17,499

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
RMB	22,059	16,803
USD	1,762	696
	23,821	17,499

16. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract liabilities	4,180	1,503
Other payables and accruals		
Payable for operating expenses	4,177	4,997
Payable for acquisition of property, plant and equipment	–	961
Payable for staff salaries and manpower service expenses	14,516	14,793
VAT and other tax payables	13,608	11,720
Other payables	297	154
Amount due to the non-controlling shareholder	–	1,000
Accruals	2,877	1,522
	35,475	35,147
	39,655	36,650

16(a). Contract liabilities

Contract liabilities represent advance payments received from the customers for services that have not been transferred to the customers. The contract liabilities fluctuated during the years ended 31 December 2022 and 2021 due to fluctuation in sales orders with advance payments.

The balance at the end of each reporting period is expected to be recognised as revenue in the next reporting period. The movements (excluding those arising from increase and decrease both occurred within the same reporting period) of contract liabilities within HKFRS 15 are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At the beginning of the reporting period	1,503	1,487
Additions	1,570	1,503
Revenue recognised (<i>Note 4</i>)	(1,503)	(1,487)
Acquired through acquisition of a subsidiary	2,610	–
	<hr/>	<hr/>
At the end of the reporting period	4,180	1,503
	<hr/> <hr/>	<hr/> <hr/>

The contract liabilities at 31 December 2022 and 2021 represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of each reporting period. The Group expects the transaction price at 31 December 2022 and 2021, respectively, allocated to the unsatisfied performance obligations will be recognised as revenue in one year or less when the obligations are performed.

During the years ended 31 December 2022 and 2021, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

16(b). At 31 December 2021, the amount due to the non-controlling shareholder is denominated in RMB, unsecured, interest free and repayable within one year. The amount had been fully settled during the year ended 31 December 2022.

16(c). The carrying amounts of the Group's contract liabilities, other payables and accruals were denominated in the following currencies:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
RMB	36,599	34,258
USD	1,019	869
HK\$	2,037	1,523
	<hr/>	<hr/>
	39,655	36,650
	<hr/> <hr/>	<hr/> <hr/>

17. LEASES LIABILITIES

17(a). The consolidated statement of financial position shows the following amounts relating to leases:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Right-of-use assets (Note 11)		
Properties	9,258	12,412
Plant and machineries	–	108
	<u>9,258</u>	<u>12,520</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Lease liabilities		
Current portion	4,391	5,140
Non-current portion	5,286	7,553
	<u>9,677</u>	<u>12,693</u>

Additions to the right-of-use assets amounted to approximately RMB3,014,000 (2021: RMB15,380,000) during the year ended 31 December 2022.

At 31 December 2022, the weighted average effective interest rates of the lease liabilities of the Group were approximately 5.05% per annum (2021: 5.54% per annum).

A 31 December 2022 and 2021, the carrying amounts of the Group's lease liabilities were denominated in RMB.

17(b). The consolidated statement of profit or loss shows the following amounts relating to leases:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation charge of right-of use assets		
Properties	6,168	4,173
Plant and machineries	108	4,217
	<u>6,276</u>	<u>8,390</u>
Finance costs	<u>687</u>	<u>327</u>

17(c). During the years ended 31 December 2022 and 2021, the total cash outflow for leases were analysed as below.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cash flows used in operating activities		
Expenses under short term leases in respect of (Note 7):		
– Machineries	17,397	24,383
– Offices, warehouses, production plant and staff quarters	4,483	3,467
Cash flows used in financing activities		
– Payment of principal element of lease liabilities	5,238	9,178
– Payment of interest element of lease liabilities (Note 7)	687	327
	<u>27,805</u>	<u>37,355</u>

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.

During the Reporting Period, to diversify the Group’s existing business portfolio and to broaden its revenue base, the Group commenced the financial technology business by acquiring the registered capital of a third party company, which is principally engaged in provision of financial-related application platform (the “**Financial Application Platform**”) and related maintenance services (the “**Platform Maintenance Services**”). Detailed information please refer to the announcement of the Company dated 25 July 2022 (the “**Acquisition Announcement**”).

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

During the Reporting Period, the revenue of the Group decreased by approximately 25.6% from RMB353.9 million for the year ended 31 December 2021 to RMB263.2 million for the Reporting Period, which was attributed to the slowdown of the economic in the PRC. The Group recorded a net loss of RMB7.1 million for the Reporting Period as compared with the Group’s profit of approximately RMB10.1 million for the corresponding period in 2021.

PROSPECTS

The global consumer electronics market demand is rapidly changing by facing macroeconomic headwinds, the Russian-Ukrainian conflict, local epidemics and other factors. The economy environment in China and the world remains uncertain and challenging. The Group is taking proactive measures and making active responses in an effort to sustain the business and actively diversify or expand our customer base and product base to broaden the sources of revenue and diversify business risk.

The Group commenced the financial technology business with the cooperation of third-party business partner during the Reporting Period. The Group will actively expand this new business to sustain the future growth of business of the Group.

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 opportunities in the EMS business.

At the same time, the Group will keep more cautious on its spending and expansion to reduce finance risk. 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	
	2022 RMB'000	2021 RMB'000
The PRC	263,177	353,615
The USA	71	281
Total	<u>263,248</u>	<u>353,896</u>

The Group derives its revenue from (i) manufacturing and sales of PCBAs and (ii) Financial Application Platforms and Platform Maintenance Services. 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, IoT products, and automotive related devices. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product category for the Reporting Period and for the year ended 31 December 2021 respectively:

	Revenue for the year ended 31 December			% of total revenue for the year ended 31 December		
	2022 RMB'000	2021 RMB'000	Change (%)	2022	2021	Change
PCBAs for						
Telecommunication devices	131,643	183,485	(28.3)	50.0	51.8	(1.8)
IoT products	89,421	142,253	(37.1)	34.0	40.2	(6.2)
Automotive related devices	31,430	9,223	240.8	12.0	2.6	9.4
Others	8,020	18,935	(57.6)	3.0	5.4	(2.4)
	<u>260,514</u>	<u>353,896</u>	(26.4)	<u>99.0</u>	<u>100.0</u>	(1.0)
Financial Application Platforms and Platform Maintenance Services	2,734	–	100.0	1.0	–	1.0
Total	<u>263,248</u>	<u>353,896</u>	(25.6)	<u>100.0</u>	<u>100.0</u>	–

Our revenue generated from sales of PCBAs for telecommunication devices decreased by approximately 28.3% from approximately RMB183.5 million for the year ended 31 December 2021 to approximately RMB131.6 million for the Reporting Period, primarily due to dropped orders from our telecommunication devices customers because that the smartphone market experienced weak demand in the Reporting Period.

Our Group recorded a decrease in revenue derived from sales of PCBAs for IoT products from approximately RMB142.3 million for the year ended 31 December 2021 to approximately RMB89.4 million for the Reporting Period, which was mainly attributable to the decline orders received from the Group's major customer, who was located in Shanghai city and the operation of which were restricted due to the strict lockdown measures implemented by Shanghai authorities in response to the resurgence of COVID-19 Disease during the first half year of 2022.

Our revenue generated from sales of PCBAs for automotive related devices increased by approximately 2.4 times from approximately RMB9.2 million for the year ended 31 December 2021 to approximately RMB31.4 million for the Reporting Period, primarily due to the increased orders from the automotive related devices customers with the maturity of production technology of the automotive related devices.

Other revenue from PCBAs mainly include (i) PCBAs for industrial use devices; and (ii) the revenue generated from the sale of auxiliary and other materials. Other revenue decreased from approximately RMB18.9 million for the year ended 31 December 2021 to approximately RMB8.0 million for the Reporting Period, which was mainly caused by the decreased orders from the industrial use devices customers due to the slowing down of the economy.

The Group recorded revenue derived from application platforms services approximately RMB2.7 million during the Reporting Period (2021:Nil) as a result of the acquisition of the 60% registered capital of Regan Financial Information, a company principally engaged in provision of Financial Application Platform and Platform Maintenance Services. Please refer to the Acquisition Announcement for detailed information.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB29.4 million, representing a decrease of approximately RMB24.6 million or approximately 45.6% as compared with approximately RMB54.0 million for the year ended 31 December 2021. Overall gross profit margin decreased from approximately 15.3% for the year ended 31 December 2021 to approximately 11.2% for the Reporting Period.

	Gross profit for			Gross profit margin for		
	the year ended 31 December			the year ended 31 December		
	2022	2021	Change	2022	2021	Change
	RMB'000	RMB'000	(%)	(%)	(%)	(%)
PCBAs for						
Telecommunication devices	17,953	34,580	(48.1)	13.6	18.8	(5.2)
IoT products	4,294	15,532	(72.4)	4.8	10.9	(6.1)
Automotive related devices	5,444	1,483	267.1	17.3	16.1	1.2
Others	427	2,385	(82.1)	5.3	12.6	(7.3)
	28,118	53,980	(47.9)	10.8	15.3	(4.5)
Financial Application Platforms and Platform Maintenance Services	1,265	–	100.0	46.3	–	46.3
Total	29,383	53,980	(45.6)	11.2	15.3	(4.1)

PCBAs

The gross profit for PCBAs for telecommunication devices decreased by approximately 48.1% to approximately RMB18.0 million for the Reporting Period (2021: approximately RMB34.6million). The gross profit margin decreased to approximately 13.6% for the Reporting Period (2021: approximately 18.8%), which was primarily due to the decrease in sales of telecommunication devices, while certain cost of sales was fixed.

The gross profit for PCBAs for IoT products decreased by approximately 72.4% to approximately RMB4.3 million for the Reporting Period (2021: approximately RMB15.5 million). The gross profit margin decreased to approximately 4.8% for the Reporting Period (2021: approximately 10.9%), which was primarily due to the decreased orders from our major IoT products customers and increase in cost of sales which is attributable to the provision provided for the slow moving inventory.

The gross profit for PCBAs for automotive related devices increased by approximately 2.7 times to approximately RMB5.4 million for the Reporting Period (2021: approximately RMB1.5 million). The gross profit margin increased to approximately 17.3% for the Reporting Period (2021: approximately 16.1%), which was mainly due to the increased sales orders from the automotive related devices customers with the maturity of production technology.

The gross profit margin for application platforms services was 46.3% for the Reporting Period (2021: Nil).

Other Income

Other income of the Group for the Reporting Period of approximately RMB7.0 million (2021: approximately RMB6.4 million) mainly represented government grants and bank interest income.

Other Losses, Net

Other losses, net mainly represented (i) net gain or loss on disposal of property, plant and equipment; (ii) interest income from unlisted corporate bonds; (iii) dividend income; and (iv) exchange difference. For the Reporting Period, other losses increased from approximately RMB0.9 million for the year ended 31 December 2021 to approximately RMB2.0 million for the Reporting Period, which was mainly due to the increased exchange loss as a result of the depreciation of Renminbi (“**RMB**”) against Hong Kong dollar (“**HK\$**”), net off against increase in interest income from unlisted corporate bonds and dividend income for the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) relevant employee benefit expenses; (ii) transportation costs; (iii) depreciation; (iv) entertainment expenses and other expenses. For the Reporting Period, selling and distribution expenses amounted to approximately RMB3.0 million (2021: approximately RMB3.4 million), representing a decrease of approximately 11.8% as compared to the year ended 31 December 2021. Selling and distribution expense ratio remained stable at approximately 1.0% against revenue for both the Reporting Period and the year ended 31 December 2021.

Administrative and Other Expenses

Administrative and other expenses mainly represented (i) employment benefit expenses, (ii) depreciation, (iii) professional fee, (iv) rental expenses, (v) travelling expenses, (vi) utilities, (vii) telecommunication; (viii) office expenses and other expenses. For the Reporting Period, administrative expenses amounted to approximately RMB39.6 million (2021: approximately RMB42.3 million), representing a decrease of approximately 6.4% as compared to the year ended 31 December 2021. The decrease in administrative and other expenses was mainly because of the decreased bonus due to the unsatisfying results for the Reporting Period.

Impairment Losses on Financial Assets and Contract Assets

For the Reporting Period, impairment losses of approximately RMB0.3 million (2021: approximately RMB0.2 million) was made against the financial asset at amortised cost and the trade receivables for customers who probably have credit risk.

Finance Costs

Our finance costs mainly comprised interest expenses on bank borrowings and leases liabilities. For the Reporting Period, the finance costs of the Group were approximately RMB1.2 million (2021: approximately RMB1.2 million).

Income Tax Credits (Expenses)

Income tax credits of RMB0.5 million was recognised for the Reporting Period, as compared to the income tax expenses of RMB2.3 million for the year ended 31 December 2021.

(Loss) Profit for the Year

As a result of the facts discussed above, the Group recorded a net loss of RMB7.1 million for the Reporting Period as compared to net profit of RMB10.1 million for the year ended 31 December 2021.

Profit for the Year Attributable to Non-controlling Interest

Profit for the year attributable to non-controlling interest decreased to approximately RMB2.0 million for the Reporting Period (2021: approximately RMB2.8 million), which was due to the decrease in net profit of the subsidiary of the Group in ChongQing City was making profit for the Reporting Period.

Liquidity and Capital Resources

Net Current Assets

The Group had net current assets of approximately RMB144.3 million as at 31 December 2022 (2021: approximately RMB130.5). The current ratio of the Group was stable at 2.7 as at 31 December 2022 and 2021.

Borrowing and the Pledge of Assets

The bank borrowings of the Group amounted to approximately RMB8.0 million as at 31 December 2022 (2021: approximately RMB12.6 million). As at 31 December 2022, the above bank borrowings were secured by bank deposits of approximately RMB1.7 million (2021: RMB1.7 million); property, plant and equipment with carrying amounts approximately RMB23.0 million (2021: RMB25.0 million) and a corporate guarantee provided by the Company.

Gearing Ratio

Our gearing ratio, which is calculated by total bank borrowings and lease liabilities divided by total equity, was approximately 5.8% and 8.5% as at 31 December 2022 and 31 December 2021, respectively. During the Reporting Period, our bank borrowings and lease liabilities decrease by approximately RMB7.6 million. The gearing remained low due to our low level of bank borrowings and lease liabilities.

Capital Structure

The Shares were listed on the Main Board of 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 2022, the number of issued shares of the Company was 250,000,000 ordinary shares of HK\$0.01 each.

Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in RMB, US\$ and HK\$. There are no significant assets and liabilities denominated in other currencies. Management considers that the Group is not exposed to any significant foreign exchange risk as at 31 December 2022 as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities.

Capital Expenditure

For the Reporting Period, the Group had capital expenditure of approximately RMB12.3 million (2021: approximately RMB67.7 million). The capital expenditure was mainly related to the additions of property, plant and equipment (including right-of-use assets) and intangible assets.

Dividend

The Board does not recommend payment of final dividend for the year ended 31 December 2022 (2021: nil).

Employees, Emoluments Policy and Training

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

As at 31 December 2022, the Group had 754 employees (2021: 891 employees) with a total remuneration of approximately RMB74.9 million during the Reporting Period (2021: approximately RMB88.8 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

PENSION SCHEME

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

The Group's contributions to the Defined Contribution Scheme vest fully and immediately with the employees. Accordingly, (i) during the Reporting Period, there was no forfeiture of contributions under the Defined Contribution Scheme; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Scheme as at 31 December 2022. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Defined Contribution Scheme.

Use of Proceeds

Our business objectives and planned use of proceeds as stated in the Prospectus of the Company date 28 September 2019 (the “**Prospectus**”) were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK\$91.9 million. As disclosed in the Company’s announcement dated 26 November 2021 (the “**Change of Use of Proceeds Announcement**”), having carefully considered the latest business environment and development needs of the Group, the Board had resolved to change the proposed use of part of the unutilised Net Proceeds in the amount of approximately HK\$7.2 million originally allocated for (i) strengthening the Group’s product design and enhancement capabilities in respect of the Group’s PCBAs applicable to telecommunication devices and IoT devices PCBA; (ii) upgrading the Group’s MES system and enhancing the Group’s capabilities in information technology; and (iii) upgrading the Group’s existing intelligent warehouse, to working capital. The following table sets forth the status of the use of revised allocation of the Net Proceeds as at 31 December 2022 and the date of the change of Use of Proceeds Announcement:

Business objectives as stated in the Prospectus	Actual net proceeds <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to the date of change of use of proceeds announcement <i>HK\$ million</i>	Reallocation <i>HK\$ million</i>	Amount utilized after reallocation	Remaining balance
Enhance our production capacity and efficiency	49.9	49.9	–	–	–
Enhance the level of automation in our quality control and packaging system	7.6	7.6	–	–	–
Strengthen our product design and enhancement capabilities in respect of our PCBAs applicable to telecommunication devices and IoT devices	5.9	0.8	(5.1)	–	–
Further strengthen our research and development capabilities	3.1	3.1	–	–	–
Strengthen our product testing capabilities for IoT products by setting up a cloud-based simulation platform	2.1	2.1	–	–	–

Business objectives as stated in the Prospectus	Actual net proceeds <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to the date of change of use of proceeds announcement <i>HK\$ million</i>	Reallocation <i>HK\$ million</i>	Amount utilized after reallocation	Remaining balance
Upgrade our MES system and enhance our capabilities in information technology	3.1	2.0	(1.1)	–	–
Upgrade our existing intelligent warehouse	2.5	1.5	(1.0)	–	–
Repayment of bank loan and other borrowings	8.6	8.6	–	–	–
Working capital	9.1	9.1	7.2	7.2	–
	<u>91.9</u>	<u>84.7</u>	<u>–</u>	<u>7.2</u>	<u>–</u>

CAPITAL COMMITMENT

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

MATERIAL ACQUISITIONS, DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENT

On 25 July 2022, Wanhai Big Data Technology (Shanghai) Limited* (萬海大數據科技(上海)有限公司) (the “**Waihai Big Data**”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the “**Agreement**”) with Regan Shiye Group Co., Ltd.* (雷根實業集團有限公司) (the “**Regan Shiye**”), an independent third party, to acquire 60% of the registered capital of Regan Financial Information for cash consideration of approximately RMB7 million. And subsequently on 14 October 2022, Regan Shiye, Wanhai Big Data, Shanghai Wanhai Jinyuan Business Management Company Limited* (上海萬海金源企業管理有限公司) (“**Wanhai Jinyuan**”) (being a wholly-owned subsidiary of Wanhai Big Data) and Regan Financial Information entered into a supplemental agreement (the “**Supplemental Agreement**”), where the parties agreed to (i) amend the purchaser as Wanhai Jinyuan instead of Wanhai Big Data; and (ii) to extend the long stop date to 31 December 2022. After the completion of the acquisition pursuant to the terms and conditions of the Agreement and Supplemental Agreement in November 2022, Regan Financial Information is owned as to 60% by Wanhai Jinyuan and therefore Regan Financial Information has become a non-wholly owned subsidiary of the Company.

The Group also acquired an unlisted corporate bond with principal amount of HK\$20.0 million (approximately RMB17.9 million) for 1 year maturity at fixed interest rate of 8.0% per annum and it was classified as financial asset at amortised cost (2021: approximately RMB16.4 million).

PROPOSED CHANGE OF COMPANY NAME

As part of the Group's development strategies, the Group plans to develop financial technology business. And thus, the Company proposes to change the English name of the Company from "Confidence Intelligence Holdings Limited" to "Finance E Family Holding Limited" and to change the dual foreign name in Chinese of the Company from "信懋智能控股有限公司" to "金融e家控股有限公司" (the "**Proposed Change of Company Name**"); which is subject to (i) the shareholders approving the Proposed Change of Company Name by way of a special resolution at the forthcoming annual general meeting; and (ii) the registrar of Companies in the Cayman Islands approving the Proposed Change of Company Name.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 31 December 2022 (2021: nil).

EVENT AFTER REPORTING PERIOD

The Group does not have any important events after the Reporting Period and 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 C.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 C.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 the Audit Committee on 20 September 2019 with terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules for the purpose of to making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide advice in respect of the financial reporting process, and to oversee the internal control procedures and risk management of our Group. The Audit Committee now comprises three members, all being independent non-executive Directors, namely, Mr. Wong Chun Sek Edmund (Chairman), Mr. Huang Jianfei and Ms. Mu Lingxia.

The Audit Committee had reviewed the audited annual results of the Group for the year ended 31 December 2022.

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

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

PURCHASE, SALE OR REDEMPTION 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 29 May 2023 (Monday), the register of members of the Company will be closed from 23 May 2023 (Tuesday) to 29 May 2023 (Monday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 22 May 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, 22 May 2023.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the Reporting Period as set out in this preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by Mazars CPA Limited 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 Mazars CPA Limited 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 (www.szxinken.com). The annual report of the Company for the year ended 31 December 2022 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 March 2023

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

* For identification purpose only