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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)

CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER

References are made to the prospectus of Confidence Intelligence Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 September 2019 (“**Prospectus**”) in relation to the offer of the shares of the Company (“**Share Offer**”) on the Stock Exchange of Hong Kong Limited, the allotment results announcement of the Company in relation to the Share Offer dated 17 October 2019, the annual report 2019 of the Company for the financial year ended 31 December 2019, the interim report 2020 of the Company for the six months ended 30 June 2020, the annual report 2020 of the Company for the financial year ended 31 December 2020 and the interim report 2021 of the Company for the six months ended 30 June 2021 (the “**Reports**”).

The net proceeds received by the Company from the Share Offer (the “**Net Proceeds**”), after deducting the underwriting fees and commissions and other expenses payable by the Company in connection with the Share Offer, were approximately HK\$91.9 million. It was disclosed in the Prospectus and the Reports that the Company intended to apply the Net Proceeds for (i) enhancing the Group’s production capacity and efficiency; (ii) enhancing the level of automation in the Group’s quality control and packaging system; (iii) strengthening the Group’s product design and enhancement capabilities in respect of the Group’s Printed Circuit Board Assembly (the “**PCBAs**”) applicable to telecommunication devices and internet of things (“**IoT**”) devices PCBA; (iv) further strengthening the Group’s research and development capabilities; (v) strengthening the Group’s product testing capabilities for IoT products by setting up a cloud-based simulation platform; (vi) upgrading the Group’s Manufacturing Execution System (“**MES**”) system and enhancing the Group’s capabilities in information technology; (vii) upgrading the Group’s existing intelligent warehouse; (viii) repayment of bank loan and other borrowings; and (ix) working capital.

As at the date of this announcement, approximately HK\$7.2 million of the Net Proceeds remained unutilised. For reasons set out in the paragraph headed “Reasons for and Benefit of the Change in Use of Proceeds” of this announcement below, the board (“**Board**”) of directors of the Company (“**Directors**”) has resolved to change the use of the Net Proceeds as follows:

	Planned use of Net Proceeds <i>HK\$ million</i> <i>(approximately)</i>	Utilised Net Proceeds up to the date of this announcement <i>HK\$ million</i> <i>(approximately)</i>	Unutilised Net Proceeds <i>HK\$ million</i> <i>(approximately)</i>	Proposed application of the unutilised Net Proceeds <i>HK\$ million</i> <i>(approximately)</i>	Expected timeline for fully utilizing the remaining Net Proceeds (taking into account of the new allocation) <i>(Note)</i>
Enhancing the Group’s production capacity and efficiency	49.9	49.9	–	–	–
Enhancing the level of automation in the Group’s quality control and packaging system	7.6	7.6	–	–	–
Strengthening the Group’s product design and enhancement capabilities in respect of the Group’s PCBAs applicable to telecommunication devices and IoT devices PCBA	5.9	0.8	5.1	–	–
Further strengthening the Group’s research and development capabilities	3.1	3.1	–	–	–
Strengthening the Group’s product testing capabilities for IoT products by setting up a cloud-based simulation platform	2.1	2.1	–	–	–
Upgrading the Group’s MES system and enhancing the Group’s capabilities in information technology	3.1	2.0	1.1	–	–

	Planned use of Net Proceeds <i>HK\$ million</i> (approximately)	Utilised Net Proceeds up to the date of this announcement <i>HK\$ million</i> (approximately)	Unutilised Net Proceeds <i>HK\$ million</i> (approximately)	Proposed application of the unutilised Net Proceeds <i>HK\$ million</i> (approximately)	Expected timeline for fully utilizing the remaining Net Proceeds (taking into account of the new allocation) <i>(Note)</i>
Upgrading the Group's 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	For the six months ended 30 June 2022
Total	<u>91.9</u>	<u>84.7</u>	<u>7.2</u>	<u>7.2</u>	

Note: The expected timeline for utilising the remaining Net Proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

REASONS FOR AND BENEFIT OF THE CHANGE IN USE OF PROCEEDS

The Group is an electronics manufacturing services (“EMS”) provider offering comprehensive assembling and production services of PCBAs in the People’s Republic of China (“PRC”) that integrate research and design, selection and procurement of raw materials, assembling of PCBAs, quality control, testing, logistics and aftersales services.

The outbreak and the spread of the coronavirus disease (COVID-19) (the “Novel Coronavirus Outbreak”) throughout the world has imposed different degrees of impact on various industries. Since the Novel Coronavirus Outbreak, a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the coronavirus disease (COVID-19), including imposing restriction on the resumption of operation of production plants after the statutory holidays for Chinese New Year. The Group suspended the operation of the Group’s production plant in Shenzhen after the statutory holidays for Chinese New Year and gradually resumed its operation starting from the end of February 2020. After the Group resumed the operation, late delivery of materials and lack of labor also have adverse effect on the Group’s efficiency to some extent. With the spread of the coronavirus disease (COVID-19) throughout the world and lockdown measures imposed by many countries, business and economic environment in China and the world

became worse, which also has an adverse impact on the Group's business. Even though the coronavirus disease (COVID-19) was under controlled in China in the second half year of 2020, domestic demand in China continued slowing down. Further, as disclosed in the interim report 2021 of the Company, in 2021 it is expected the COVID-19 pandemic may still be fluctuating in China and the world, and the economy environment in China and the world remains uncertain and challenging, as reflected by the decrease in gross profit margin of the Group from 20.0% for the six months ended 30 June 2020 to 15.5% for the corresponding period in 2021. The Group plans to take proactive measures and make active responses in an effort to sustain the business and diversify business risk, and keep more cautious on its spending and expansion to reduce finance risk. In view of the above, the Board considers that instead of perusing growth by strengthening the Group's product design and enhancement capabilities and upgrading the Group's system and information technology which could be uncertain, it is in the interest of the Group to change the use of the Net Proceeds to better meet the current economic climate and it is more beneficial to the Group's operational needs to combatting the challenges brought by the Novel Coronavirus Outbreak. The Board will closely monitor the utilisation of the unutilised Net Proceeds with the interests of the Company and its shareholders in mind. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and the Reports. The Board considers that the proposed change in use of Net Proceeds will not have any material adverse impact on the operations of the Group and is in the best interest of the Company and its shareholders as a whole.

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

Hong Kong, 26 November 2021

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