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## **SPROCOMM INTELLIGENCE LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1401)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
Revenue ( <i>RMB'000</i> )	<b>2,000,104</b>	2,182,038
Gross profit ( <i>RMB'000</i> )	<b>172,237</b>	193,423
Gross profit margin (%)	<b>8.6%</b>	8.9%
Net (loss) profit for the year ( <i>RMB'000</i> )	<b>(18,059)</b>	30,684
(Loss) earnings per share		
– Basic ( <i>RMB cents</i> )	<b>(1.78)</b>	3.09
– Diluted ( <i>RMB cents</i> )	<b>(1.78)</b>	3.09

The board (the “**Board**”) of directors (the “**Directors**”) of Sprocomm Intelligence Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021. These results have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Revenue	3	<b>2,000,104</b>	2,182,038
Cost of sales		<u><b>(1,827,867)</b></u>	<u>(1,988,615)</u>
Gross profit		<b>172,237</b>	193,423
Other gains and income	5	<b>44,444</b>	58,977
Selling expenses		<b>(41,188)</b>	(38,108)
Administrative and other expenses		<b>(65,928)</b>	(62,355)
Research and development expenses		<b>(118,956)</b>	(112,803)
Finance costs		<u><b>(6,468)</b></u>	<u>(5,483)</u>
<b>(Loss) profit before tax</b>		<b>(15,859)</b>	33,651
Income tax expenses	6	<u><b>(2,200)</b></u>	<u>(2,967)</u>
<b>(Loss) profit for the year</b>	7	<b>(18,059)</b>	30,684
Other comprehensive income for the year: <i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translating foreign operations		<u><b>671</b></u>	<u>1,470</u>
Total comprehensive (expense) income for the year		<u><b>(17,388)</b></u>	<u>32,154</u>
(Loss) profit attributable to:			
Owners of the Company		<b>(17,754)</b>	30,879
Non-controlling interests		<u><b>(305)</b></u>	<u>(195)</u>
		<u><b>(18,059)</b></u>	<u>30,684</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		<b>(17,083)</b>	32,349
Non-controlling interests		<u><b>(305)</b></u>	<u>(195)</u>
		<u><b>(17,388)</b></u>	<u>32,154</u>
(Loss) earnings per share			
Basic and diluted ( <i>RMB cents</i> )	9	<u><b>(1.78)</b></u>	<u>3.09</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Non-current Assets</b>			
Property, plant and equipment		<b>121,866</b>	139,564
Right-of-use assets	10	<b>21,132</b>	7,007
Intangible assets		<b>9,183</b>	6,233
Deferred tax asset		<b>225</b>	795
		<u><b>152,406</b></u>	<u>153,599</u>
<b>Current Assets</b>			
Inventories	11	<b>280,485</b>	319,386
Trade and bills receivables	12	<b>226,014</b>	339,218
Prepayments and other receivables	13	<b>132,252</b>	101,673
Amounts due from shareholders		<b>9,475</b>	–
Pledged bank deposits		<b>219,165</b>	251,071
Restricted deposits		<b>–</b>	16,210
Bank balances and cash		<b>82,904</b>	26,327
		<u><b>950,295</b></u>	<u>1,053,885</u>
<b>Current Liabilities</b>			
Trade and bills payables	14	<b>524,131</b>	591,972
Accruals and other payables	15	<b>74,602</b>	84,585
Contract liabilities	15	<b>69,458</b>	93,317
Borrowings		<b>42,162</b>	34,463
Lease liabilities	10	<b>12,385</b>	6,484
Deferred income		<b>6,120</b>	6,012
Income tax payable		<b>2,783</b>	4,907
		<u><b>731,641</b></u>	<u>821,740</u>
<b>Net current assets</b>		<u><b>218,654</b></u>	<u>232,145</u>
<b>Total assets less current liabilities</b>		<u><b>371,060</b></u>	<u>385,744</u>

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Capital and Reserves</b>			
Share capital		<b>8,945</b>	8,945
Reserves		<b>306,979</b>	324,391
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>315,924</b>	333,336
Non-controlling interests		<b>(87)</b>	1,811
		<hr/>	<hr/>
<b>Total Equity</b>		<b>315,837</b>	335,147
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Deferred income		<b>15,680</b>	16,777
Deferred tax liability		<b>15,634</b>	14,596
Lease liabilities	10	<b>7,903</b>	169
Borrowings		<b>16,006</b>	19,055
		<hr/>	<hr/>
		<b>55,223</b>	50,597
		<hr/>	<hr/>
		<b>371,060</b>	385,744
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2021

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands as an exempted company with limited liability on 15 August 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 13 November 2019 (the “**Listing**”). The ultimate controlling parties are Mr. Li Chengjun and Mr. Xiong Bin (the “**Controlling Shareholders**”).

The address of the registered office is located in P.O. BOX 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and the principal place of business and headquarter of the Company is located at 5D-506, F1.6 Block, Tianfa Building, Tianan Chegongmiao Industrial Park, Futian District, Shenzhen, China.

The Company is an investment holding company. The principal activities of its subsidiaries are designing, manufacturing and sales of mobile phones and printed circuit board assembly (“**PCBA**”) and internet of things (“**IOT**”) related products and investment holding.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the financial assets at fair value through profit or loss which have been measured at fair value.

The consolidated financial statements are presented in RMB which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2021:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the other new and amendments to HKFRS in the current year has had no material impact on the Group’s financial performance and position for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

### *New and amendments to HKFRSs in issue but not yet effective*

The Group has not early applied the following new and amendment to HKFRSs that have been issued but are not yet effective.

HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts and related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between in Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assts and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>4</sup>
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and financial position of the Group.

### **3. REVENUE**

Revenue represents revenue arising on sales of goods in the normal course of business, net of discounts and sales related taxes. The Group's revenue for the year is recognised at a point in time.

An analysis of revenue from contracts with customer disaggregated by major product types is as follows:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Mobile phones	<b>1,229,169</b>	1,483,386
PCBAs	<b>19,728</b>	103,532
IOT related products	<b>591,308</b>	480,950
Others	<b>159,899</b>	114,170
	<b><u>2,000,104</u></b>	<u>2,182,038</u>

#### **Transaction price allocated to the remaining performance obligations**

The sales contracts are with an original expected duration of less than one year. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price for the performance obligation that is unsatisfied as of the end of respective reporting period.

#### 4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group is principally engaged in designing, manufacturing and sales of mobile phones and PCBA and IOT related products. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Company as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

##### Geographical information

The Group's operations are mainly located in the People's Republic of China (the "PRC") (the place of domicile of the Group's operation).

Information about the Group's revenue from external customers presented based on the location of customers is as follows.

	Revenue from external customers	
	2021	2020
	RMB'000	RMB'000
India	962,219	1,011,279
Algeria	25,132	22,935
The PRC	791,076	919,927
Pakistan	13,334	56,749
People's Republic of Bangladesh	199,241	170,764
Other regions	9,102	384
	<u>2,000,104</u>	<u>2,182,038</u>

The Group's non-current assets, excluded deferred tax assets, amounted to RMB152,181,000 (2020: RMB152,804,000), are all located in the PRC.

##### Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2021	2020
	RMB'000	RMB'000
Customer A	471,032	511,520
Customer B	200,792	N/A*
	<u>471,032</u>	<u>511,520</u>

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 5. OTHER GAINS AND INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Gain on disposal of subsidiary	281	–
Bank interest income	5,859	4,229
Reversal of provision for social insurance	–	8,384
Gain arising from change in fair value of financial assets at FVTPL	–	7,305
Reversal of impairment loss recognised	2,417	–
Government subsidies ( <i>Note</i> )	17,754	29,209
Amortisation of government grant	7,600	6,010
Indemnification for litigation loss from the controlling shareholders ( <i>Note 16</i> )	9,475	–
Sundry income	1,058	3,840
	<u>44,444</u>	<u>58,977</u>

*Note:* The government subsidies represent the one-off government grants that were received from local government authorities of which the entitlements were unconditional and were therefore immediately recognised as other income.

## 6. INCOME TAX EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PRC Enterprise Income Tax		
– Current income tax	912	881
– Overprovision in prior year	(320)	(1,576)
Deferred tax:		
charge to current year	1,608	3,662
Income tax expenses	<u>2,200</u>	<u>2,967</u>



## 7. (LOSS) PROFIT FOR THE YEAR

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	2,368	1,981
Salaries, allowances and other benefits (excluding directors' emoluments)	123,022	135,857
Contributions to retirement benefits scheme (excluding directors' emoluments) ( <i>Note</i> )	<u>12,322</u>	<u>6,016</u>
Total staff costs	<u>137,712</u>	<u>143,854</u>
Auditors' remuneration	920	1,000
Amortisation of intangible assets	1,056	932
Amount of inventories recognised as an expense	1,827,867	1,757,285
Net foreign exchange losses	4,859	3,362
Depreciation of property, plant and equipment	20,805	18,778
Depreciation of right-of-use assets	13,264	11,259
(Reversal of) impairment loss recognised in respect of trade and bills receivables	(2,417)	2,170
Loss on written off of property, plant and equipment	15	95
Provision for litigation	–	327
Loss on litigation	<u>7,382</u>	<u>–</u>

*Note:* According to the policies on reduction of social insurance fees announced by the Ministry of Human Resources and Social Security of the PRC during the year ended 31 December 2020, the Company's PRC subsidiaries were entitled to waivers of the social insurance fees during February to December 2020.

## 8. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

## 9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share during the reporting period is based on the (loss) profit attributable to the owners of the Company and the weighted average number of ordinary shares in issue.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss) earnings for the purpose of basic (loss) earnings per share		
(loss) profit for the year attributable to owners of the Company	<u>(17,754)</u>	<u>30,879</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

## Diluted (loss) earning per share

The Company's potentially dilutive ordinary shares comprise share options. Performance-related employee share options are treated as contingently issuable shares. Contingently issuable shares are considered outstanding and where applicable, included in the calculation of diluted (loss) earnings per share as if the conditions of the contingency are deemed to have been met, based on the information available, at the end of reporting period.

As at 31 December 2020 and 2021, none of the performance conditions of the share options were met, and thus the dilutive potential ordinary shares as none of the performance conditions of the share options were met. As a result, diluted (loss) earnings per share is the same as basic (loss) earnings per share for the year ended 31 December 2020 and 2021.

## 10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (i) Right-of-use assets

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Machines	588	1,902
Buildings	<u>20,544</u>	<u>5,105</u>
	<u><b>21,132</b></u>	<u><b>7,007</b></u>

The Group has lease arrangements for buildings and machines. The lease terms range from one to six years.

In respect of lease arrangements for machines which are under hire purchase, the ownership of the machines will be transferred to the Group by the end of the lease terms. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

### (ii) Lease liabilities

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Non-current portion	7,903	169
Current portion	<u>12,385</u>	<u>6,484</u>
	<u><b>20,288</b></u>	<u><b>6,653</b></u>

## 11. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	248,949	211,366
Work in progress	11,029	59,684
Finished goods	20,507	48,336
	<u>280,485</u>	<u>319,386</u>

## 12. TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	218,420	333,696
Bills receivables	10,175	10,521
Less: Loss allowance	<u>(2,581)</u>	<u>(4,999)</u>
Trade and bills receivables	<u>226,014</u>	<u>339,218</u>

The gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB228,595,000 as at 31 December 2021 (2020: RMB344,217,000).

The Group allows credit period of 90 days to its trade customers depending on creditability of the customers. The Group does not hold any collateral over its trade and bills receivables. The following is an ageing analysis of trade and bills receivables, net of allowance for impairment of trade and bills receivables, presented based on invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 30 days	<b>179,366</b>	261,873
31 to 60 days	<b>29,159</b>	34,177
61 to 90 days	<b>15,136</b>	24,672
Over 90 days	<b>2,353</b>	18,496
Total	<b>226,014</b>	339,218

### 13. PREPAYMENTS AND OTHER RECEIVABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayments	<b>65,132</b>	36,664
Deposits	<b>1,995</b>	1,776
Other tax recoverable	<b>62,572</b>	59,343
Others	<b>2,553</b>	3,890
	<b>132,252</b>	101,673

*Note:* Included in prepayments and other receivables are other advances and refundable deposits of approximately RMB4,548,000 as at 31 December 2021 (2020: RMB5,666,000). These balances have low risk of default or have not been a significant increase in credit risk since initial recognition and no impairment loss is recognised.

### 14. TRADE AND BILLS PAYABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<b>291,125</b>	333,546
Bills payables	<b>233,006</b>	258,426
Trade and bills payables	<b>524,131</b>	591,972

The following is an ageing analysis of trade and bills payables presented based on invoice date at the end of the reporting period.

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Within 30 days	<b>244,683</b>	286,118
31 to 60 days	<b>100,482</b>	158,663
61 to 90 days	<b>64,746</b>	53,480
Over 90 days	<b>114,220</b>	93,711
	<hr/>	<hr/>
Total	<b>524,131</b>	591,972
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The average credit period on purchases of goods is ranging from 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

#### 15. ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Salary payable	<b>47,762</b>	52,926
Other payables ( <i>Note (i)</i> )	<b>10,268</b>	13,719
Government subsidies in advance ( <i>Note (ii)</i> )	<b>12,357</b>	12,357
Other tax payables	<b>4,215</b>	5,583
	<hr/>	<hr/>
	<b>74,602</b>	84,585
	<hr/>	<hr/>
Contract liabilities ( <i>Note (iii)</i> )	<b>69,458</b>	93,317
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (i) As at 31 December 2021, there is no provision for litigations in other payables (2020: RMB 2,093,000) as the lawsuit is settled. Details of the litigations are set out in Note 16 of this announcement.
- (ii) Government subsidies in advance included in accruals and other payables are mainly related to the capital expenditure incurred for property and equipment, leasehold improvement and subsidies for recruitment of certain number of workers for factory operation, before fulfilling certain conditions under the terms of the government subsidies. The government subsidies received may need to be refunded if the subsidiary failed to fulfill the attached conditions within the stipulated time. Upon fulfillment of those conditions, government subsidies related to compensation of expenses are credited to the profit or loss in the year the Group complied with the conditions attached to the subsidies, whereas assets-related subsidies are reclassified to deferred income and credited to the profit or loss on a straight-line basis over the expected lives of the related assets.
- (iii) Contract liabilities as at 31 December 2021 amounted to approximately RMB69,458,000 (2020: RMB93,317,000), which represented receipts in advance from customers.

### **Significant changes in contract liabilities**

The significant decrease in contract liabilities as at 31 December 2021 was mainly due to the advance from customers as at 31 December 2020 had been recognised as revenue upon transfer of goods during the year ended 31 December 2021.

### **Revenue recognised in relation to contract liabilities**

Revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities at the beginning of the year is approximately RMB71,654,000 (2020: RMB41,668,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

## **16. LITIGATIONS**

During the year ended 31 December 2019, an independent factoring company (the “**Plaintiff**”) filed a lawsuit at Beijing Haidian District People’s Court (the “**District Court**”) against Shenzhen Sprocomm and a customer of Shenzhen Sprocomm owing the factored accounts receivable (the “**First Defendant**”) for the repayment of the outstanding accounts receivable under the factoring agreement. Provision for litigation loss of approximately RMB1,766,000 was made during the year ended 31 December 2019 with reference to legal opinion obtained and the then available information.

In December 2020, Shenzhen Sprocomm has received the judgement of the first trial from the District Court ruling it to repay the factored loan amount at approximately RMB26,805,000 and the relevant interest at approximately RMB3,303,000.

The directors of the Company, with reference to legal opinion obtained and available information, had made further provision for loss on litigation of approximately RMB327,000 during the year ended 31 December 2020. Accumulated provision for loss on litigation of RMB2,093,000 (being the sum of the provision for litigation loss in 2019 and 2020) was included in other payables in the consolidated statement of financial position as at 31 December 2020.

During the year ended 31 December 2021, Shenzhen Sprocomm filed an appeal (the “**Appeal**”) to the First Intermediate People’s Court of Beijing Municipality (the “**First Intermediate Court**”) and received the judgement of the second trial from the First Intermediate Court which dismissed the Appeal and ruled that the District Court’s decision remains effective. The judgement was executed by the District Court on 30 August 2021 and subsequently, Shenzhen Sprocomm paid an aggregate amounts of RMB31,138,000 (which comprised of the principal, interest and legal cost of approximately RMB26,805,000, RMB4,019,000 and RMB314,000 respectively) to settle the litigation claim.

The aforesaid litigation settlement of RMB31,138,000, net of the prior receipt in advance from the First Defendant of approximately RMB21,663,000 which Shenzhen Sprocomm was legally entitled to offset against the litigation claim and accumulated provision for loss on litigation in prior years of approximately RMB2,093,000, additional amounted to RMB7,382,000 was recognised as loss on litigation included in administrative and other expenses in profit or loss during the year ended 31 December 2021.

Pursuant to a deed of indemnity with the Controlling shareholders signed on 18 October 2019, which entitled the Group to all claims including legal costs and expenses incurred in relation to the relevant litigation, the Group recognised indemnification for litigation loss of approximately RMB9,475,000 from the controlling shareholders in other gains and income in the consolidated statements of profit or loss and other comprehensive income, upon the settlement of the aforesaid litigation during the year ended 31 December 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

During the year ended 31 December 2021, the Group, as one of the leading ODM mobile phone suppliers based in China, continued to focus on the research and development, designing, manufacturing and sale of mobile phones, PCBAs for mobile phones and IoT related products, targeting emerging markets.

The global economy is gradually moving beyond the shadow of the novel coronavirus crisis, but it still takes time to resume to the pre-pandemic levels. 2021 is still a challenging year for a vast majority of companies. The novel coronavirus crisis has severely disrupted the global supply chain and such disruption is expected to persist into 2022. Like other manufacturers of smartphones and other electronic devices, the Group suffered from the global shortage of electronic components and screen for mobile devices, which affected the Group's production schedule and significantly increased the Group's costs of production. As a result of the aforesaid, the Group's total revenue for the year ended 31 December 2021 decreased by 8.3% to RMB2,000.1 million from RMB2,182.0 million for the year ended 31 December 2020. The Group's overall gross profit margin for the year ended 31 December 2021 decreased to approximately 8.6% as compared with approximately 8.9% for the year ended 31 December 2020.

To maintain market competitiveness, the Group devoted more resources into the research and development of own-branded products and IoT related products and the research and development expenses for the year ended 31 December 2021 increased by 5.5% as compared with the year ended 31 December 2020. Further, contributions to retirement benefits scheme for the Group's employees for the year ended 31 December 2021 significantly increased as micro, small and medium size enterprises enrolled in China Social Security Schemes were exempt from making employer contributions to pension, unemployment and work-related injury insurance schemes between February and December 2020. Overall, the Group recorded a net loss of RMB18.1 million for the year ended 31 December 2021 as compared with a net profit of RMB30.7 million for the year ended 31 December 2020. In response to the financial performance for the year ended 31 December 2021, the Group has taken various corresponding actions, including but not limited to cost controls, regular communications with customers to secure the sales orders and confirm the delivery schedule.

### **OUTLOOK AND BUSINESS STRATEGY**

Going forward, China's ODM mobile phone market will be filled with challenges and opportunities. While the global economy still requires some time to recover, the Group will take this opportunity to solidify its leading market position. Further, the Directors consider that the rapid roll-out of 5G telecommunication network in different parts of the world will drive the demand for smartphones and IoT products.

In order to capture the potential market opportunities and maximise the interests of the Company and its shareholders, the Group will adopt a prudent approach to develop its business, enhance its research and development capability, enrich its product portfolio and increase its sales and marketing effort to diversify its geographical locations.

## FINANCIAL REVIEW

### Revenue

#### *Revenue by product categories*

The Group's product portfolio includes smartphones, feature phones, PCBAs for mobile phones and IoT related products. The Group mainly derives its revenue from the sales of smartphones and IoT products. Set out below is a breakdown of the Group's total revenue by product categories and the revenue generated from each product category as a percentage of total revenue for the year ended 31 December 2021 and 2020:

	Year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Mobile phones				
– Smartphones	<b>949,276</b>	<b>47.5</b>	1,186,640	54.4
– Feature phones	<b>279,893</b>	<b>14.0</b>	296,746	13.6
Sub-total:	<b>1,229,169</b>	<b>61.5</b>	1,483,386	68.0
PCBAs	<b>19,728</b>	<b>1.0</b>	103,532	4.7
IoT related products	<b>591,308</b>	<b>29.6</b>	480,950	22.0
Others ( <i>Note</i> )	<b>159,899</b>	<b>7.9</b>	114,170	5.3
Total	<b><u>2,000,104</u></b>	<b><u>100.0</u></b>	<b><u>2,182,038</u></b>	<b><u>100.0</u></b>

*Note:* Others mainly include revenue from the sales of mobile device components used for after sales-services and the provision of research and development and technical services for mobile phones, PCBAs and cloud related products.

The Group's total revenue decreased by 8.3% to RMB2,000.1 million for the year ended 31 December 2021 from RMB2,182.0 million for the year ended 31 December 2020, primarily attributed to the decreased sales of mobile phones and PCBAs, but partially offset by the increased sales of IoT related products.

Revenue from mobile phones decreased by 17.1% to RMB1,229.1 million for the year ended 31 December 2021 from RMB1,483.4 million for the year ended 31 December 2020, primarily attributed to the decrease in sales of smartphones to India, Pakistan and the PRC.



Revenue from PCBAs decreased by 81.0% to RMB19.7 million for the year ended 31 December 2021 from RMB103.5 million for the year ended 31 December 2020, as (i) more customers placed orders for mobile phones instead of PCBAs to suit their own needs; and (ii) the Group reserved higher quantities of PCBAs for the production of mobile phones and IoT related products.

Revenue from IoT related products increased by 22.9% to RMB591.3 million for the year ended 31 December 2021 from RMB481.0 million for the year ended 31 December 2020, primarily attributed to the increase in demand for IoT related products.

### *Revenue by geographical regions*

The Group's products are sold worldwide with strategic focus on emerging markets which have high population and growing demands on mobile phones. Set out below is a breakdown of the Group's total revenue by geographical region and the revenue generated from each region as a percentage of total revenue for the year ended 31 December 2021 and 2020:

	<b>Year ended 31 December</b>			
	<b>2021</b>		<b>2020</b>	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
<b>Emerging Asia</b>				
India	<b>962,219</b>	<b>48.1</b>	1,011,279	46.3
Pakistan	<b>13,334</b>	<b>0.7</b>	56,749	2.6
People's Republic of Bangladesh	<b>199,241</b>	<b>10.0</b>	170,764	7.8
The PRC	<b>791,076</b>	<b>39.5</b>	919,927	42.2
Sub-total:	<b>1,965,870</b>	<b>98.3</b>	2,158,719	98.9
<b>Other regions</b>				
Algeria	<b>25,132</b>	<b>1.3</b>	22,935	1.0
Others	<b>9,102</b>	<b>0.4</b>	384	0.1
Sub-total:	<b>34,234</b>	<b>1.7</b>	23,319	1.1
Total	<b>2,000,104</b>	<b>100.0</b>	2,182,038	100.0

Revenue from India decreased by 4.9% to RMB962.2 million for the year ended 31 December 2021 from RMB1,011.3 million for the year ended 31 December 2020, primarily attributed to the global shortage of electronic components and screen for mobile devices.

Revenue from Pakistan decreased by 76.5% to RMB13.3 million for the year ended 31 December 2021 from RMB56.7 million for the year ended 31 December 2020, primarily attributed to decrease in purchase orders for smartphones.

Revenue from Bangladesh increased by 16.6% to RMB199.2 million for the year ended 31 December 2021 from RMB170.8 million for the year ended 31 December 2020, primarily attributed to increase in demand for smartphones.

Revenue from the PRC decreased by 14.0% to RMB791.1 million for the year ended 31 December 2021 from RMB919.9 million for the year ended 31 December 2020, primarily attributed to decrease in sales of mobile phones, but partially offset by the increase in sales of IoT related products.

Revenue from Algeria increased by 9.6% to RMB25.1 million for the year ended 31 December 2021 from RMB22.9 million for the year ended 31 December 2020, primarily attributed to the increase in purchase orders for smartphones.

### **Gross profit and gross profit margin**

Gross profit decreased by 11.0% to RMB172.2 million for the year ended 31 December 2021 from RMB193.4 million for the year ended 31 December 2020, primarily due to the decreased sales of mobile phones and PCBAs. Gross profit margin decreased to 8.6% for the year ended 31 December 2021 from 8.9% for the year ended 31 December 2020. The decrease in gross profit margin was primarily attributed to the increase in the costs of raw materials (in particular mobile chips and screen for the mobile devices) driven by the global shortage of electronic components.

### **Other gains and income**

Other gains and income mainly include comprises government subsidies and amortisation of government subsidies, indemnification for litigation loss from the controlling shareholders, reversal of provision for social insurance, gain arising from change in fair value of financial assets at fair value through profit and loss, bank interest income and sundry income. The Group's other gains and income decreased by 24.7% to RMB44.4 million for the year ended 31 December 2021 from RMB59.0 million for the year ended 31 December 2020, primarily attributed to decrease in government subsidies and gain arising from change in fair value of financial assets at fair value through profit or loss.

### **Selling expenses**

Selling expenses mainly represent transportation and custom declaration expenses, salaries and employee benefits of our sales and marketing staff, business-related travelling and entertainment expenses. Selling expenses for the year ended 31 December 2021 increased by 8.1% to RMB41.2 million from RMB38.1 million for the year ended 31 December 2020, primarily attributed to the increase in transportation and custom declaration expenses during the year ended 31 December 2021.

## **Administrative and other expenses**

Administrative and other expenses mainly represent salaries and benefits of our administrative and management staff, depreciation, amortisation of intangible assets, general office expenses, legal and professional fees, rental expenses, insurance expenses, bank charges, exchange losses and other miscellaneous administrative expenses. Administrative expenses for the year ended 31 December 2021 increased by 5.6% to RMB65.9 million from RMB62.4 million for the year ended 31 December 2020. The increase in administrative expenses for the year ended 31 December 2021 was primarily attributed to the increase in litigation claims as detailed in note 16 of this announcement.

## **Research and development expenses**

Research and development expenses for the year ended 31 December 2021 increased by 5.5% to RMB119.0 million from RMB112.8 million for the year ended 31 December 2020, primarily attributed to (i) the increase in contributions to retirement benefits scheme for the Group's employees as micro, small and medium size enterprises enrolled in China Social Security Schemes were exempt from making employer contributions to pension, unemployment and work related injury insurance schemes between February and December 2020; and (ii) more resources devoted into the research and development of own-branded products and IoT related products.

## **Finance costs**

Finance costs mainly represent interests on discounted bills, interest portion of lease liabilities, bank borrowings and factoring loans. The Group's finance costs for the year ended 31 December 2021 increased by 18.2% to RMB6.5 million from RMB5.5 million for the year ended 31 December 2020, primarily attributed to increase in interest on discounted bills financing and factoring loans.

## **Income tax expenses**

For the year ended 31 December 2021, the Group's income tax expenses amounted to RMB2.2 million as compared with RMB3.0 million for the year ended 31 December 2020. The decrease in income tax expenses was primarily attributed to the decrease in assessable profits for the year ended 31 December 2021.

## **Net (loss)/profit for the year**

As a result of the above factors, the Group recorded a net loss of RMB18.1 million for the year ended 31 December 2021 (2020: a net profit of RMB30.7 million).

## **Dividend**

The Board does not recommend the payment of dividend for the year ended 31 December 2021 (2020: nil).

## **Trade and bills receivables**

As at 31 December 2021, the Group's trade and bills receivables amounted to RMB226.0 million (31 December 2020: RMB339.2 million). The Group generally grants credit period ranging from 30 to 90 days to its customers and allows its PRC customers to settle their purchases by way of bills with maturity period ranging from three to six months.

In order to minimise credit risk, the Group carefully assesses the background information and credit worthiness of its customers before it decides to grant them credit periods. Further, the Group also closely monitors the payment record of its customers and regularly reviews the credit terms granted to them. The Group's credit assessment is based on various factors, including but not limited to the financial strength, size of the business and payment history of customers and length of their business relationship with the Group.

The Group's average trade and bills receivables turnover days for the year ended 31 December 2021 were 51.6 days (2020: 80.4 days), which were within the range of credit periods normally offered by the Group to its customers. The shortened average trade and bills receivables turnover days were primarily attributed to the decrease in trade and bills receivables. Based on the dates of the relevant sales invoices, 99.0% of the Group's trade and bills receivables aged within 90 days and the Group did not notice any substantial long outstanding balances.

## **Trade and bills payables**

As at 31 December 2021, the Group's trade and bills payables amounted to RMB524.1 million (31 December 2020: RMB592.0 million). Suppliers generally grant the Group credit period ranging from 30 to 60 days, with certain suppliers require the Group to make advance payment before product delivery. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. Certain suppliers allow the Group to settle its purchases by way of bank acceptance bills and the Group may also endorse certain bills receivables to its suppliers in order to settle the trade payable due to them.

The Group's average trade and bills payables turnover days for the year ended 31 December 2021 were 111.4 days (2020: 134.8 days). The shortened average trade and bills payables turnover days were primarily attributed to the decrease in trade and bills payables.

## **CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 13 November 2019. There has been no change in the capital structure of the Group since then. The Group mainly funds its business and working capital requirements by using a balanced mix of internal resources, borrowings and funds from the global offering.

The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group. For the year ended 31 December 2021, the Group recorded a positive cash flow from operating activities of RMB3.6 million (Year ended 31 December 2020: negative cash flow of RMB40.1 million).

As at 31 December 2021, the Group had net current assets of RMB218.7 million (31 December 2020: RMB232.1 million), cash and cash equivalents amounted to RMB82.9 million (31 December 2020: RMB26.3 million), pledged bank deposits of RMB219.2 million (31 December 2020: RMB251.1 million) and borrowings amounted to RMB58.2 million (31 December 2020: RMB53.5 million). The Group's cash and cash equivalents and bank borrowings as at 31 December 2021 were mainly denominated in RMB.

As at 31 December 2021, the Group had borrowings of RMB38.4 million (31 December 2020: RMB31.4 million) subject to fixed interest rates and borrowings of RMB19.8 million (31 December 2020: RMB22.1 million) subject to variable interest rates. As at 31 December 2021, the Group had a current ratio of 1.3 times (31 December 2020: 1.3 times) and gearing ratio of 0.2 (calculated by dividing total debt by total equity) (31 December 2020: 0.2).

As at 31 December 2021, the Group's unutilised borrowing facilities amounted to RMB120.9 million (31 December 2020: RMB148.7 million).

## **CAPITAL EXPENDITURE**

For the year ended 31 December 2021, the Group incurred cash flows on capital expenditures for the purchase of properties, plant and equipment in the amount of RMB3.1 million (2020: RMB30.5 million); and intangible assets in the amount of RMB4.0 million (2020: RMB0.8 million), respectively.

## **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group did not have capital commitments in relation to the purchase of property, plant and equipment (31 December 2020: nil).

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group did not have any material contingent liabilities or guarantees (31 December 2020: nil).

## **PLEDGE OF ASSETS AND RESTRICTED DEPOSIT**

As at 31 December 2021, the Group pledged trade and bills receivables with carrying amount of RMB38.9 million (31 December 2020: RMB29.4 million), bank deposits with carrying amount of RMB219.2 million (31 December 2020: RMB251.1 million) and land and building with carrying amount of RMB53.7 million (31 December 2020: RMB56.8 million) to secure its borrowings and banking facilities.

As at 31 December 2021, the Group did not have restricted deposit (31 December 2020: 16.2 million).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the year ended 31 December 2021 and 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

## **SIGNIFICANT INVESTMENTS HELD BY THE GROUP**

Saved as disclosed herein, the Group did not make any other significant investments during the year ended 31 December 2021.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

On 26 November 2020, Sprocomm Intelligence Limited (“**Sprocomm Intelligence**”), an indirect wholly-owned subsidiary of the Company, entered into an investment agreement with the Management Committee of New Lingang Area of PRC (Shanghai) Pilot Free Trade Zone\* (中國(上海)自由貿易試驗區臨港新片區管理委員會) (the “**Lingang Committee**”), pursuant to which, among others, (i) Sprocomm Intelligence agreed to set up a smart device R&D headquarters at New Lingang Area with an investment of fixed assets of not less than RMB120 million (equivalent to approximately HK\$142 million); and (ii) Lingang Committee agreed to provide various kinds of support and subsidy to Sprocomm Intelligence. As at 31 December 2021, the aforesaid investment was still in a preliminary planning stage. For the investment amount and schedule and other details of this investment agreement, please refer to the Company’s announcement dated 26 November 2020.

In the first quarter of 2022, the public bidding for the relevant land parcel took place. The Group and the Lingang Committee entered into a land use right transfer agreement, pursuant to which the Lingang Committee agreed to transfer the land use right for the land parcel situated at Nanhui New Town, Pudong New Area (a site area of 6,373.3 square metres) to the Group at a consideration of approximately RMB14.3 million. It is expected that the construction of the research and development headquarters on this land parcel will commence in the third quarter of 2022.

Saved as disclosed herein, the Group did not have any future plans for material investments and capital assets during the year ended 31 December 2021.

## **FOREIGN EXCHANGE RISKS**

For the year ended 31 December 2021, the Group derived 60.5% (2020: 57.8%) of its total revenue from export sales and these export sales were principally denominated in USD. As at 31 December 2021, the Group had USD-denominated monetary assets with carrying amount of RMB141.2 million (31 December 2020: RMB201.4 million) and USD-denominated monetary liabilities of RMB49 million (31 December 2020: RMB19.1 million). The Group is exposed to foreign exchange risk arising from its export sales, monetary assets and liabilities denominated in foreign currencies. Any appreciation of RMB against USD will have a negative impact on the Group's profit margin. Management of the Group regularly reviews the impact of exchange risk exposure on the Group's financial performance and may use foreign exchange hedging instruments to reduce the Group's exchange risk exposure if appropriate.

## **EMPLOYEES, REMUNERATION POLICY AND TRAINING**

As at 31 December 2021, the Group had 1,022 employees (31 December 2020: 1,836 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance. For the year ended 31 December 2021, the Group's total staff costs (including directors' emoluments, salaries, allowances and other benefits and contributions to retirement benefits scheme) amounted to RMB137.7 million (2020: RMB143.9 million). To provide incentives or rewards to its employees, the Company adopted a share option scheme, particulars of which are set out in the section headed "Share option scheme" in this announcement. 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.

## **PENSION SCHEME**

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) for the year ended 31 December 2021, 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 2021. 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 FROM INITIAL PUBLIC OFFERING

Shares of the Company were listed on the Main Board of the Stock Exchange on 13 November 2019. The net proceeds from the initial public offering (the “**IPO**”), net of underwriting commissions and other relevant expenses, amounted to approximately HK\$84.4 million. As at 31 December 2021, the Group has fully utilised such proceeds in accordance with the section headed “Future plans and use of proceeds” set out in the Company’s prospectus dated 30 October 2019 (the “**Prospectus**”).

The use of the net proceeds from 13 November 2019 up to 31 December 2021 had been applied as follows:

	Planned use of net proceeds (approximately)	Utilised net proceeds from IPO as at 31 December 2021 (approximately)	Unutilised net proceeds from IPO as at 31 December 2021 (approximately)	Expected timeline for unutilised net proceeds from IPO
Enhance SMT production capacity	HK\$38.8 million	HK\$38.8 million	–	N/A
Enhance research and development capabilities	HK\$14.2 million	HK\$14.2 million	–	N/A
Enhance sales and marketing force to diversify customer base	HK\$8.6 million	HK\$8.6 million	–	N/A
Upgrade enterprise planning resource system	HK\$5.7 million	HK\$5.7 million	–	N/A
Repayment of bank loans	HK\$8.8 million	HK\$8.8 million	–	N/A
General working capital	HK\$8.3 million	HK\$8.3 million	–	N/A
<b>Total</b>	<b>HK\$84.4 million</b>	<b>HK\$84.4 million</b>	<b>–</b>	



## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS**

Apart from the Group's business, none of the Directors, the Controlling Shareholders (including Mr. Li, Leap Elite, Mr. Xiong and Beyond Innovation) or any of their respective close associates was engaged in or had any interest in any business that competes or may compete with the principal business of the Group, or has any other conflict of interest with the Group during the year ended 31 December 2021 and up to the date of this announcement.

## **SHARE OPTION SCHEME**

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 18 October 2019 ("**Adoption Date**"), which became effective on 13 November 2019. The purpose of which is to motivate the eligible participants to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The eligible participants include any full-time or part-time employees, executives or officers, directors, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries; and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the shares in issue as at 13 November 2019 (i.e. 100,000,000 shares) unless approved by the shareholders of the Company. Such limit represented 10% of the shares of the Company in issue as at the date of this announcement.

Unless approved by shareholders of the Company in general meeting in the manner stipulated in The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the maximum entitlement for each eligible participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the total number of shares in issue as at the date of grant.

(i) **Outstanding options**

During the year ended 31 December 2021, the Company did not grant any share options and no share options were exercised and 38,400,000 share options were lapsed. Details of the Company's share options from 1 January 2021 to 31 December 2021 are as follows:

	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2021	Number of share options transferred	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding as at 31 December 2021
<b>Category 1: Directors</b>										
Mr. Li Hongxing										
Tranche 1	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2021	1 July 2021 to 13 April 2025	2,700,000	-	-	-	(2,700,000)	-
Tranche 2	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2022	1 July 2022 to 13 April 2025	2,700,000	-	-	-	(2,700,000)	-
Tranche 3	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2023	1 July 2023 to 13 April 2025	3,600,000	-	-	-	(3,600,000)	-
Subtotal					9,000,000	-	-	-	(9,000,000)	-
Mr. Guo Qinglin										
Tranche 1	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2021	1 July 2021 to 13 April 2025	1,050,000	-	-	-	(1,050,000)	-
Tranche 2	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2022	1 July 2022 to 13 April 2025	1,050,000	-	-	-	(1,050,000)	-
Tranche 3	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2023	1 July 2023 to 13 April 2025	1,400,000	-	-	-	(1,400,000)	-
Subtotal					3,500,000	-	-	-	(3,500,000)	-

	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2021	Number of share options transferred	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding as at 31 December 2021
Mr. WEN Chuanchuan										
Tranche 1	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2021	1 July 2021 to 13 April 2025	-	1,050,000	-	-	(1,050,000)	-
Tranche 2	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2022	1 July 2022 to 13 April 2025	-	1,050,000	-	-	(1,050,000)	-
Tranche 3	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2023	1 July 2023 to 13 April 2025	-	1,400,000	-	-	(1,400,000)	-
Subtotal					-	3,500,000	-	-	(3,500,000)	-
<b>Category 2: Employees</b>										
Tranche 1	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2021	1 July 2021 to 13 April 2025	15,990,000	(1,050,000)	-	-	(6,720,000)	8,220,000
Tranche 2	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2022	1 July 2022 to 13 April 2025	15,990,000	(1,050,000)	-	-	(6,720,000)	8,220,000
Tranche 3	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2023	1 July 2023 to 13 April 2025	21,320,000	(1,400,000)	-	-	(8,960,000)	10,960,000
Subtotal					53,300,000	(3,500,000)	-	-	(22,400,000)	27,400,000
<b>Total</b>					<b>65,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,400,000)</b>	<b>27,400,000</b>

As at the date of this announcement, the number of shares of the Company available for issue under the Share Option Scheme upon the exercise of all above outstanding share options was 27,400,000, representing 2.74% of the total issued shares of the Company.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted.

The exercise price of share option granted under the Share Option Scheme shall be a price solely determined by the Board and shall be at least highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of a share.

Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date. As at 31 December 2021, the remaining life of the Share Option Scheme is approximately seven years and 9.5 months.

For further details on the principal terms of the Share Option Scheme, please refer to the paragraph headed "Statutory and General Information – Other Information – 1. Share Option Scheme" in Appendix IV to the Prospectus.

**(ii) Valuation of share options**

- (1) The following significant assumptions were used to derive the fair value of the share options using the Binominal Options pricing model:

	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>
Date of grant	14 April 2020	14 April 2020	14 April 2020
Fair value at grant date	HK\$0.211	HK\$0.220	HK\$0.227
Share price	HK\$0.51	HK\$0.51	HK\$0.51
Exercise price	HK\$0.51	HK\$0.51	HK\$0.51
Expected volatility	53.00%	53.00%	53.00%
Expected life	5 years	5 years	5 years
Exercise period	1 July 2021 to 13 April 2025	1 July 2022 to 13 April 2025	1 July 2023 to 13 April 2025
Risk-free rate	0.580%	0.580%	0.60%
Expected dividend yield	–	–	–

- (2) Expected volatility was determined by calculating the historical volatility of the price of listed companies with businesses similar to the Group. The expected dividend yield is determined by the directors based on the expected future performance and dividend policy of the Group.

- (3) No share-based payment expense was recognised for the year ended 31 December 2021 (2020: nil) in relation to share options granted by the Company as the performance condition was not satisfied.

## **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 have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the year ended 31 December 2021 and up to the date of this announcement.

## **CORPORATE GOVERNANCE**

The Company has adopted a set of corporate governance practices which aligns with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) since 13 November 2019. Except for code provision A.2.1, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2021.

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of the Company, Mr. Li Chengjun is the Group’s chief executive officer, and he also performs as the chairman of the Board as he has considerable experience in the mobile communication industry. The Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Although Mr. Li Chengjun performs both the roles of chairman of the board and chief executive officer, the division of responsibilities between the chairman of the board and chief executive officer is clearly established. In general, the chairman of the board is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the Group’s businesses. The two roles are performed by Mr. Li Chengjun distinctly. Further, the current structure does not impair the balance of power and authority between the Board and management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors.

## **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 26 May 2022 (Thursday), the register of members of the Company will be closed from 23 May 2022 (Monday) to 26 May 2022 (Thursday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 20 May 2022 (Friday). During the above closure period, no transfer of shares will be registered. To be eligible to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar 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 20 May 2022 (Friday).

## **AUDIT COMMITTEE**

The Company has established the Audit Committee on 18 October 2019 with written terms of reference in compliance with Rule 3.21 and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Wong Kwan Kit, Mr. Lu Brian Yong Chen and Mr. Hung Wan Man. Mr. Wong Kwan Kit is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, financial reporting system, risk management and internal control systems, and has reviewed the Group's annual results for the year ended 31 December 2021. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

## **SCOPE OF WORK OF AUDITORS**

The figures in respect of this announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Company's external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by SHINEWING 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 the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by SHINEWING on this announcement.

## **EVENT AFTER THE REPORTING PERIOD**

Saved as disclosed herein, the Group does not have any important events after the year ended 31 December 2021 and up to the date of this announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.sprocomm.com](http://www.sprocomm.com)). The annual report of the Company for the year ended 31 December 2021 will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board  
**Sprocomm Intelligence Limited**  
**Mr. Li Chengjun**  
*Chairman and Executive Director*

Hong Kong, 30 March 2022

*As at the date of this announcement, the executive Directors are Mr. LI Chengjun, Mr. XIONG Bin, Mr. Wen Chuanchuan and Mr. GUO Qinglin, and the independent non-executive Directors are Mr. HUNG Wai Man, Mr. WONG Kwan Kit, Mr. LU Brian Yong Chen and Ms. TSENG Chin I.*

\* *For identification purposes only*