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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 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2023	2022
Revenue (<i>RMB'000</i>)	2,822,921	1,450,377
Gross profit (<i>RMB'000</i>)	299,588	203,630
Gross profit margin (%)	10.6	14.0
Net profit for the year (<i>RMB'000</i>)	31,016	6,361
Earnings per share		
– Basic and diluted (<i>RMB cents</i>)	3.24	0.65

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 2023. 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 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3	2,822,921	1,450,377
Cost of sales		<u>(2,523,333)</u>	<u>(1,246,747)</u>
Gross profit		299,588	203,630
Other gains and income	5	38,780	52,170
Selling and distribution expenses		(58,654)	(38,754)
Administrative expenses		(64,265)	(64,885)
Research and development expenses		(139,686)	(124,075)
Finance costs		<u>(35,816)</u>	<u>(18,261)</u>
Profit before tax		39,947	9,825
Income tax expense	6	<u>(8,931)</u>	<u>(3,464)</u>
Profit for the year	7	31,016	6,361
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translating foreign operations		<u>(511)</u>	<u>(2,186)</u>
Total comprehensive income for the year		<u>30,505</u>	<u>4,175</u>
Profit/(loss) attributable to:			
Owners of the Company		32,369	6,506
Non-controlling interests		<u>(1,353)</u>	<u>(145)</u>
		<u>31,016</u>	<u>6,361</u>
Total comprehensive income attributable to:			
Owners of the Company		31,863	4,298
Non-controlling interests		<u>(1,358)</u>	<u>(123)</u>
		<u>30,505</u>	<u>4,175</u>
Earnings per share	9		
Basic and diluted (<i>RMB cents</i>)		<u>3.24</u>	<u>0.65</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		2023	2022
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		95,899	103,614
Right-of-use assets	10	8,166	5,649
Intangible assets		6,162	7,659
Long-term prepayment	13	–	18,280
Deferred tax assets		688	248
		<u>110,915</u>	<u>135,450</u>
Current assets			
Inventories	11	377,630	187,428
Trade and bills receivables	12	808,830	191,704
Prepayments and other receivables	13	82,067	139,048
Amounts due from shareholders		6,341	6,341
Pledged bank deposits		2,368,420	764,383
Bank balances and cash		67,951	36,635
		<u>3,711,239</u>	<u>1,325,539</u>
Current liabilities			
Trade and bills payables	14	3,158,712	940,627
Accruals and other payables	15	92,541	76,702
Contract liabilities	15	32,472	30,251
Borrowings		142,622	37,006
Lease liabilities	10	5,890	5,855
Deferred income		1,633	3,490
Income tax payable		4,591	5,952
		<u>3,438,461</u>	<u>1,099,883</u>
Net current assets		<u>272,778</u>	<u>225,656</u>
Total assets less current liabilities		<u>383,693</u>	<u>361,106</u>

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Non-current liabilities			
Deferred income		4,135	12,096
Deferred tax liability		14,102	13,484
Lease liabilities	10	2,425	–
Borrowings		11,817	14,817
		<u>32,479</u>	<u>40,397</u>
Net assets		<u>351,214</u>	<u>320,709</u>
Capital and reserve			
Share capital		8,945	8,945
Reserves		343,140	311,277
		<u>352,085</u>	<u>320,222</u>
Equity attributable to owners of the Company		352,085	320,222
Non-controlling interests		(871)	487
		<u>351,214</u>	<u>320,709</u>
Total equity		<u>351,214</u>	<u>320,709</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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**”), who are also executive directors of the Company.

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 of the Company is located in 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 products (“**PCBA**”) and Internet of things (“**IoT**”) related products and investment holding. Particulars of the subsidiaries have been set out in Note 35 of the annual report. The Company and its subsidiaries are collectively referred to as the “**Group**”.

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 disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) *Adoption of new and amendments to HKFRSs*

In the current year, the Group has applied the amendments to HKFRSs issued by HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts and related Amendments ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the 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, except as described below.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

(b) New and amendments to HKFRSs not yet adopted

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

Amendments to HKAS 1	Non-current Liabilities with covenants ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	The effects of changes in foreign exchange rates: Lack of exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between in Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Group anticipate that the application of the new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

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 on a point in time basis.

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

	2023	2022
	RMB'000	RMB'000
Mobile phones	2,137,747	1,029,754
PCBAs	55,588	28,758
IoT related products	483,801	296,514
Others	145,785	95,351
	2,822,921	1,450,377

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 is reported on a regular basis to the executive directors of the Company, being the chief operating decision makers, for their review of the Group's internal reporting in order to assess performance and allocate resources. 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 Group 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	
	2023 RMB'000	2022 RMB'000
India	863,557	757,814
The PRC	1,742,400	509,101
People's Republic of Bangladesh	74,572	95,368
Algeria	10,568	27,917
Republic of Korea	–	26,802
United States of America	–	20,377
Islamic Republic of Pakistan	131,798	–
Other regions	26	12,998
	<u>2,822,921</u>	<u>1,450,377</u>

The Group's non-current assets, excluding deferred tax assets, amounted to RMB110,077,000 (2022: RMB135,202,000), and are all located in the PRC.

Information about major customers

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

	2023 RMB'000	2022 RMB'000
Customer A	N/A*	302,167
Customer B	469,412	N/A*
Customer C	503,107	N/A*
Customer D	570,521	N/A*
	<u>1,543,042</u>	<u>302,167</u>

* The customer did not contribute over 10% of the total revenue of the Group in 2023.

5. OTHER GAINS AND INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank interest income	11,503	12,227
Exchange gain, net	–	15,892
Reversal of impairment loss on trade and bills receivables recognised	–	76
Government subsidies (<i>Note</i>)	15,589	16,234
Amortisation of government grant	11,063	6,488
Sundry income	625	1,253
	<u>38,780</u>	<u>52,170</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 not capital in nature and therefore immediately recognised as other income.

6. INCOME TAX EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax – Hong Kong profit tax		
– Provision for the year	1,360	416
– Over-provision in respect of prior years	(48)	–
Current tax – PRC Enterprise Income Tax		
– Provision for the year	1,312	4,300
– Under-provision in respect of prior years	6,129	172
Current tax – United States enterprise income tax		
– Provision for the year	–	749
	<u>8,753</u>	<u>5,637</u>
Deferred tax:		
– Charge/(credit) to current year	178	(2,173)
Income tax expense	<u>8,931</u>	<u>3,464</u>

7. PROFIT FOR THE YEAR

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit for the year has been arrived at after charging/(crediting):		
Directors' emoluments	2,448	2,294
Salaries, allowances and other benefits (excluding directors' emoluments)	128,121	121,406
Contributions to retirement benefits scheme (excluding directors' emoluments)	14,400	17,843
Total staff costs	<u>144,969</u>	<u>141,543</u>
Auditors' remuneration	1,193	816
Amortisation of intangible assets	2,382	2,307
Amount of inventories recognised as an expense	2,523,333	1,246,747
Depreciation of property, plant and equipment	14,221	24,612
Depreciation of right-of-use assets	18,325	10,194
Provision/(reversal) of impairment loss recognised in respect of trade and bills receivables	3,360	(76)
Loss on disposal of property, plant and equipment	509	2,135
Loss on disposal of a subsidiary	419	–
Loss on early termination of leases	–	3
	<u> </u>	<u> </u>

8. DIVIDEND

No dividend was paid, declared or proposed during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS PER SHARE

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings for the purpose of basic earnings per share profit for the year attributable to owners of the Company	<u>32,369</u>	<u>6,506</u>
	Number of share '000	Number of share '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

Diluted earnings per share

Diluted earnings per share for both years were the same as the basic earnings per share as there was no potential ordinary shares in issue for both 2023 and 2022.

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Leasehold properties	<u>8,166</u>	<u>5,649</u>

The Group has lease arrangements for buildings, mainly for use as factories for production purpose. The lease terms range from one to five years (2022: one to three years) with fixed lease payments and no renewal/termination option.

During the year, additions to right-of-use assets were RMB20,740,000 (2022: RMB304,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements. In 2022, the Group terminated a contract, resulting in a derecognition of right-of-use assets and lease liabilities of approximately RMB5,593,000 and RMB5,590,000 respectively.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current portion	2,425	–
Current portion	<u>5,890</u>	<u>5,855</u>
	<u>8,315</u>	<u>5,855</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 5.0% to 9.0% (2022: from 4.2% to 9.0%).

11. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Materials and components	226,284	78,693
Work in progress	28,223	59,657
Finished goods	<u>123,123</u>	<u>49,078</u>
	<u>377,630</u>	<u>187,428</u>

12. TRADE AND BILLS RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	750,907	190,849
Less: Loss allowance	<u>(5,865)</u>	<u>(2,505)</u>
	745,042	188,344
Bills receivables	<u>63,788</u>	<u>3,360</u>
Trade and bills receivables	<u>808,830</u>	<u>191,704</u>

The gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB814,695,000 as at 31 December 2023 (2022: RMB194,209,000).

An aged analysis of trade and bills receivables (after loss allowance) based on invoice date is as follow:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 30 days	404,421	128,352
31 to 60 days	267,787	23,240
61 to 90 days	118,702	31,722
Over 90 days	<u>17,920</u>	<u>8,390</u>
Total	<u>808,830</u>	<u>191,704</u>

No interest is charged on the trade and bills receivables.

13. PREPAYMENTS AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current portion		
Prepayments for property, plant and equipment and land use right	<u>–</u>	<u>18,280</u>
Current portion		
Prepayment to suppliers	21,106	56,320
Lease deposits and other deposits	5,856	21,093
VAT recoverable (<i>Note</i>)	52,649	51,384
Interest receivables	1,432	7,865
Others	<u>1,024</u>	<u>2,386</u>
	<u>82,067</u>	<u>139,048</u>

Note: VAT recoverable includes the input VAT and prepaid VAT that is expected to be deducted within one year.

As at 31 December 2023 and 2022, there was no significant impairment for the prepayments and other receivables.

14. TRADE AND BILLS PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	834,590	132,735
Bills payables	2,324,122	807,892
	<hr/>	<hr/>
Trade and bills payables	3,158,712	940,627
	<hr/> <hr/>	<hr/> <hr/>

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 30 days	438,157	68,049
31 to 60 days	299,454	49,145
61 to 90 days	72,968	8,435
Over 90 days	24,011	7,106
	<hr/>	<hr/>
Total	834,590	132,735
	<hr/> <hr/>	<hr/> <hr/>

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.

The following is an aged analysis of bills payables at the end of the reporting period.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 30 days	338,679	34,415
31–60 days	466,769	30,910
61–90 days	629,051	39,307
Over 90 days	889,623	703,260
	<hr/>	<hr/>
Total	2,324,122	807,892
	<hr/> <hr/>	<hr/> <hr/>

All the bills payables of the Group are not yet due at the end of each reporting period. Bills payables as at 31 December 2023 were secured by pledged bank deposit amounts of approximately RMB2,368,420,000 (2022: RMB758,989,000).

15. ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries payable	58,575	54,769
Other payables	10,377	6,612
Government subsidies in advance (<i>Note (i)</i>)	13,788	12,357
Other tax payables	9,801	2,964
	<u>92,541</u>	<u>76,702</u>
Contract liabilities (<i>Note (ii)</i>)	<u>32,472</u>	<u>30,251</u>

Notes:

- (i) 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 operating 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.
- (ii) Contract liabilities as at 31 December 2023 amounted to approximately RMB32,472,000 (2022: RMB30,251,000), which represented receipts in advance from customers.

Revenue recognised in relation to contract liabilities

Revenue recognised during the year ended 31 December 2023 that was included in the contract liabilities at the beginning of the year is approximately RMB30,251,000 (2022: RMB57,706,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the year ended 31 December 2023, 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.

In the latter half of 2023, the worldwide smartphone market experienced a steady recovery. The Group obtained a higher number of smartphone orders from its major customers during the year ended 31 December 2023. The Group's consistent endeavour to establish and maintain long-term rapport and confidence with its customers resulted in a substantial growth in its revenue and profit in 2023.

During the year ended 31 December 2023, the Group recorded revenue of approximately RMB2,822.9 million, representing an increase of approximately 94.6% from approximately RMB1,450.4 million for the year ended 31 December 2022. The Group's profit after tax increased by approximately 3.8 times to approximately RMB31.0 million for the year ended 31 December 2023 from approximately RMB6.4 million for the year ended 31 December 2022.

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 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Mobile phones				
– Smartphones	1,814,028	64.3	701,408	48.4
– Feature phones	323,719	11.4	328,346	22.6
Sub-total:	2,137,747	75.7	1,029,754	71.0
PCBAs	55,588	2.0	28,758	2.0
IoT related products	483,801	17.1	296,514	20.4
Others (<i>Note</i>)	145,785	5.2	95,351	6.6
Total	2,822,921	100.0	1,450,377	100.0

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 increased by 94.6% to RMB2,822.9 million for the year ended 31 December 2023 from RMB1,450.4 million for the year ended 31 December 2022, primarily attributed to the significant increase in sales of smartphones to the PRC and India and increase in sales of IoT related products to the PRC.

Revenue from mobile phones increased by 107.6% to RMB2,137.7 million for the year ended 31 December 2023 from RMB1,029.8 million for the year ended 31 December 2022, primarily attributed to the increase in sales of smartphones to the PRC and India.

Revenue from PCBAs increased by 93.1% to RMB55.6 million for the year ended 31 December 2023 from RMB28.8 million for the year ended 31 December 2022, as customers placed more orders for PCBAs to suit their own needs.

Revenue from IoT related products increased by 63.2% to RMB483.8 million for the year ended 31 December 2023 from RMB296.5 million for the year ended 31 December 2022, primarily attributed to the increase in sales orders from two major customers in the PRC.

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 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Emerging Asia				
India	863,557	30.6	757,814	52.2
The PRC	1,742,400	61.7	509,101	35.1
Pakistan	131,798	4.7	–	–
People's Republic of Bangladesh	74,572	2.6	95,368	6.6
Republic of Korea	–	–	26,802	1.9
Sub-total:	2,812,327	99.6	1,389,085	95.8
Other regions				
Algeria	10,568	0.4	27,917	1.9
United States of America	–	–	20,377	1.4
Others	26	–	12,998	0.9
Sub-total:	10,594	0.4	61,292	4.2
Total	2,822,921	100.0	1,450,377	100.0

Revenue from India increased by 14.0% to RMB863.6 million for the year ended 31 December 2023 from RMB757.8 million for the year ended 31 December 2022, primarily attributed to the increase in demand for smartphones.

Revenue from the PRC increased by 242.3% to RMB1,742.4 million for the year ended 31 December 2023 from RMB509.1 million for the year ended 31 December 2022, primarily attributed to increase in sales orders for smartphones and IoT related products from major customers in the PRC.

Revenue from Pakistan increased to RMB131.8 million for the year ended 31 December 2023 from nil for the year ended 31 December 2022, primarily attributed to the increase in the Group's marketing effort to expand its sales geographical locations.

Revenue from People's Republic of Bangladesh decreased by 21.8% to RMB74.6 million for the year ended 31 December 2023 from RMB95.4 million for the year ended 31 December 2022, primarily attributed to decrease in sales orders for smartphones from a major customer.

Revenue from the Republic of Korea decreased to nil for the year ended 31 December 2023 from RMB26.8 million for the year ended 31 December 2022, primarily attributed to the Group's strategic decision to reserve its production capacity for the sales orders from the PRC and India.

Revenue from the United States of America decreased to nil for the year ended 31 December 2023 from RMB20.4 million for the year ended 31 December 2022, primarily attributed to the Group's strategic decision to reserve its production capacity for the sales orders from the PRC and India.

Revenue from Algeria decreased by 62.0% to RMB10.6 million for the year ended 31 December 2023 from RMB27.9 million for the year ended 31 December 2022, primarily attributed to the decrease in demand for smartphones.

Gross profit and gross profit margin

Gross profit increased by 47.1% to RMB299.6 million for the year ended 31 December 2023 from RMB203.6 million for the year ended 31 December 2022. Gross profit margin decreased to 10.6% for the year ended 31 December 2023 from 14.0% for the year ended 31 December 2022. The increase in gross profit was primarily attributed to the increase in sales to major customers.

Other gains and income

Other gains and income mainly include comprises government subsidies and amortisation of government subsidies, bank interest income, exchange gain and sundry income. The Group's other gains and income decreased by 25.7% to RMB38.8 million for the year ended 31 December 2023 from RMB52.2 million for the year ended 31 December 2022, primarily attributed to the decrease in exchange gain by RMB13.4 million.

Selling and distribution expenses

Selling and distribution 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 and distribution expenses for the year ended 31 December 2023 increased by 51.3% to RMB58.7 million from RMB38.8 million for the year ended 31 December 2022, primarily attributed to the increase in transportation and custom declaration expenses resulting from the significant increase in sales.

Administrative expenses

Administrative 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, impairment loss recognised in respect of trade and bills receivables, exchange losses and other miscellaneous administrative expenses. Administrative expenses for the year ended 31 December 2023 remained relatively stable at RMB64.3 million as compared with RMB64.9 million for the year ended 31 December 2022.

Research and development expenses

Research and development expenses for the year ended 31 December 2023 increased by 12.6% to RMB139.7 million from RMB124.1 million for the year ended 31 December 2022, primarily attributed to the increase in material costs for research and development.

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 2023 increased by 96.1% to RMB35.8 million from RMB18.3 million for the year ended 31 December 2022, primarily attributed to increase in interest on discounted bills financing and factoring loans.

Income tax expenses

For the year ended 31 December 2023, the Group's income tax expenses amounted to RMB8.9 million as compared with RMB3.5 million for the year ended 31 December 2022. The increase in income tax expenses was primarily attributed to the increase in assessable profits for the year ended 31 December 2023.

Net profit for the year

As a result of the above factors, the Group recorded a net profit of RMB31.0 million (2022: RMB6.4 million) for the year ended 31 December 2023. The Group's net profit margin improved to 1.1% for the year ended 31 December 2023 from 0.4% for the year ended 31 December 2022.

Dividend

The Board does not recommend the payment of dividend for the year ended 31 December 2023 (2022: nil).

Trade and bills receivables

As at 31 December 2023, the Group's trade and bills receivables amounted to RMB808.8 million (31 December 2022: RMB191.7 million). The significant increase in trade and bills receivables as at 31 December 2023 was primarily attributed to increase in turnover from RMB1,450.4 million for the year ended 31 December 2022 to RMB2,822.9 million for the year ended 31 December 2023. 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 2023 were 64.7 days (2022: 52.6 days), which were within the range of credit periods normally offered by the Group to its customers. The lengthened average trade and bills receivables turnover days were primarily attributed to the increase in trade and bills receivables with longer credit period. Based on the dates of the relevant sales invoices, 97.8% 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 2023, the Group's trade and bills payables amounted to RMB3,158.7 million (31 December 2022: RMB940.6 million). The significant increase in trade and bills payables as at 31 December 2023 was primarily attributed to the increase in the use of bank acceptance bills by the Group to settle its purchases. 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 2023 were 296.5 days (2022: 214.4 days). The lengthened average trade and bills payables turnover days were primarily attributed to the increase in the use of bank acceptance bills by the Group to settle its purchases.

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 2023, the Group recorded a positive cash flow from operating activities of RMB1,573.1 million (Year ended 31 December 2022: positive cash flow of RMB555.9 million).

As at 31 December 2023, the Group had net current assets of RMB272.8 million (31 December 2022: RMB225.7 million), cash and cash equivalents amounted to RMB68.0 million (31 December 2022: RMB36.6 million), pledged bank deposits of RMB2,368.4 million (31 December 2022: RMB764.4 million) and borrowings amounted to RMB154.4 million (31 December 2022: RMB51.8 million). The Group's cash and cash equivalents and bank borrowings as at 31 December 2023 were mainly denominated in RMB.

As at 31 December 2023, the Group had borrowings of RMB35.0 million (31 December 2022: RMB10.0 million) subject to fixed interest rates and borrowings of RMB119.4 million (31 December 2022: RMB41.8 million) subject to variable interest rates. As at 31 December 2023, the Group had a current ratio of 1.1 times (31 December 2022: 1.2 times) and gearing ratio of 0.4 (calculated by dividing total debt by total equity) (31 December 2022: 0.2).

As at 31 December 2023, the Group's unutilised borrowing facilities amounted to RMB29.8 million (31 December 2022: RMB110.4 million).

CAPITAL EXPENDITURE

For the year ended 31 December 2023, the Group incurred cash flows on capital expenditures for the purchase of properties, plant and equipment in the amount of RMB7.0 million (2022: RMB8.5 million); and intangible assets in the amount of RMB0.9 million (2022: RMB0.8 million), respectively.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group did not have any capital commitments (31 December 2022: RMB1.7 million in relation to the purchase of property, plant and equipment).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities or guarantees (31 December 2022: nil).

PLEDGE OF ASSETS AND RESTRICTED DEPOSIT

As at 31 December 2023, the Group pledged trade and bills receivables with carrying amount of RMB73.7 million (31 December 2022: RMB24.0 million), bank deposits with carrying amount of RMB2,368.4 million (31 December 2022: RMB764.4 million) and land and building with carrying amount of RMB47.6 million (31 December 2022: RMB50.6 million) to secure its borrowings and banking facilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2023, the Group disposed of a wholly owned subsidiary at a consideration of approximately RMB14.4 million and recognised a loss on disposal of approximately RMB0.4 million. Immediately prior to disposal, this subsidiary possessed the land use right of a land parcel situated at Nanhui New Town, Pudong New Area. The disposal was primarily driven by the Group's strategic decision to reallocate resources to its business operations. Other than this disposal, the Group did not have any other material acquisitions and disposals of subsidiaries, associates or joint ventures in 2023.

During the year ended 31 December 2022, 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 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed herein, the Group did not have any future plans for material investments and capital assets during the year ended 31 December 2023.

FOREIGN EXCHANGE RISKS

For the year ended 31 December 2023, the Group derived 54.8% (2022: 64.9%) of its total revenue from export sales and these export sales were principally denominated in USD. As at 31 December 2023, the Group had USD-denominated monetary assets with carrying amount of RMB211.9 million (31 December 2022: RMB128.7 million) and USD-denominated monetary liabilities of RMB221.5 million (31 December 2022: RMB33.9 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 2023, the Group had 1,328 employees (31 December 2022: 890 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance. For the year ended 31 December 2023, the Group's total staff costs (including directors' emoluments, salaries, allowances and other benefits and contributions to retirement benefits scheme) amounted to RMB145.0 million (2022: RMB141.5 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 2023, 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 2023. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Defined Contribution Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2023, 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 Chengjun, Leap Elite Limited, Mr. Xiong Bin and Beyond Innovation Limited) 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 2023 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**

As at 1 January 2023 and 31 December 2023, the number of share options available for grant under the Share Option Scheme was 75,100,000 and 100,000,000, respectively.

During the year ended 31 December 2023, the Company did not grant any share options and no share options were exercised and 24,900,000 share options were lapsed. Details of the Company's share options from 1 January 2023 to 31 December 2023 are as follows:

	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2023	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding as at 31 December 2023
Category: Employees									
Tranche 1	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2022	1 July 2022 to 13 April 2025	7,470,000	-	-	(7,470,000)	-
Tranche 2	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2023	1 July 2023 to 13 April 2025	7,470,000	-	-	(7,470,000)	-
Tranche 3	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2023	1 July 2023 to 13 April 2025	9,960,000	-	-	(9,960,000)	-
Total					<u>24,900,000</u>	<u>-</u>	<u>-</u>	<u>(24,900,000)</u>	<u>-</u>

As at the date of this announcement, the total number of shares of the Company available for issue under the Share Option Scheme was 100,000,000, representing 10% 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 2023, the remaining life of the Share Option Scheme is approximately five 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 Binomial Options pricing model:

	Tranche 1	Tranche 2	Tranche 3
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 2022 to 13 April 2025	1 July 2023 to 13 April 2025	1 July 2023 to 13 April 2025
Risk-free rate	0.58%	0.58%	0.58%
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 2023 (2022: 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 C3 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 2023 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 C1 of The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) since 13 November 2019. Except for code provision C.2.1, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2023.

Code provision C.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 27 May 2024 (Monday), the register of members of the Company will be closed from 22 May 2024 (Wednesday) to 27 May 2024 (Monday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 21 May 2024 (Tuesday). 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on 21 May 2024 (Tuesday).

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 as set out in Appendix C1 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 2023. 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 2023 have been agreed by the Company's external auditor, Moore Stephens CPA Limited ("**Moore Stephens**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by Moore Stephens 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 Moore Stephens 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 2023 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) and the Company (www.sprocomm.com). The annual report of the Company for the year ended 31 December 2023 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, 28 March 2024

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.