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SPROCOMM INTELLIGENCE LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1401)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Revenue (<i>RMB'000</i>)	1,256,912	806,946
Gross profit (<i>RMB'000</i>)	109,926	104,504
Gross profit margin (%)	8.7	13.0
Net profit for the period (<i>RMB'000</i>)	9,222	8,710
Earnings per share		
– Basic and diluted (<i>RMB cents</i>)	0.99	0.95

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Sprocomm Intelligence Limited (the “**Company**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024. These results have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	1,256,912	806,946
Cost of sales		(1,146,986)	(702,442)
Gross profit		109,926	104,504
Other gains and income	6	40,978	31,383
Selling expenses		(25,091)	(23,926)
Administrative and other expenses		(31,666)	(23,377)
Research and development expenses		(60,167)	(65,555)
Finance costs		(20,800)	(7,598)
Profit before tax		13,180	15,431
Income tax expenses	7	(3,958)	(6,721)
Profit for the period	8	9,222	8,710
Other comprehensive income/(expenses) for the period:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translating foreign operations		77	(885)
Total comprehensive income for the period		9,299	7,825
Profit/(loss) attributable to:			
Owners of the Company		9,856	9,511
Non-controlling interests		(634)	(801)
		9,222	8,710
Total comprehensive income/(expense) attributable to:			
Owners of the Company		9,938	8,610
Non-controlling interests		(639)	(785)
		9,299	7,825
Earnings per share			
Basic and diluted (<i>RMB cents</i>)	10	0.99	0.95

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current Assets			
Property, plant and equipment		98,232	95,899
Right-of-use assets		36,232	8,166
Intangible assets		5,313	6,162
Deferred tax asset		448	688
		140,225	110,915
Current Assets			
Inventories		358,371	377,630
Trade and bills receivables	11	489,334	808,830
Prepayments and other receivables	12	139,494	82,067
Amounts due from shareholders		6,341	6,341
Pledged bank deposits		1,777,506	2,368,420
Bank balances and cash		29,713	67,951
		2,800,759	3,711,239
Current Liabilities			
Trade and bills payables	13	2,257,975	3,158,712
Accruals and other payables		81,907	92,541
Contract liabilities		41,900	32,472
Borrowings		125,291	142,622
Lease liabilities		3,249	5,890
Deferred income		1,633	1,633
Income tax payable		4,848	4,591
		2,516,803	3,438,461
Net current assets		283,956	272,778
Total assets less current liabilities		424,181	383,693

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current liabilities		
Deferred income	4,135	4,135
Deferred tax liability	14,270	14,102
Lease liabilities	34,946	2,425
Borrowings	10,317	11,817
	<u>63,668</u>	<u>32,479</u>
Net assets	<u>360,513</u>	<u>351,214</u>
Capital and Reserves		
Share capital	8,945	8,945
Reserves	353,078	343,140
	<u>362,023</u>	<u>352,085</u>
Equity attributable to owners of the Company	362,023	352,085
Non-controlling interests	<u>(1,510)</u>	<u>(871)</u>
Total Equity	<u><u>360,513</u></u>	<u><u>351,214</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 Date**”). 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 33/F, Building 1, Huaqiang Science and Technology Innovation Plaza, Meilin Street, No. 6018 North Ring Boulevard, 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, printed circuit board assembly (“**PCBA**”) and Internet of things (“**IoT**”) related products and investment holding.

The condensed 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 condensed 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. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

3. PRINCIPAL ACCOUNTING POLICIES

Other than changes in accounting policies resulting from the application of new amendments to Hong Kong Financial Reporting Standards and application of the accounting policies which become relevant to the Group, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

Application of new and amendments to Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied the amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The amendments to HKFRSs in the current interim period did not have material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not applied any new standards or interpretation that is not yet effective for the current period.

4. 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 period is recognised on a point in time basis.

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mobile phones	799,590	567,730
PCBAs	–	55,588
IoT related products	362,887	153,034
Others	94,435	30,594
	<u>1,256,912</u>	<u>806,946</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.

5. 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 resource. The Group is principally engaged in designing, manufacturing and sales of mobile phones, 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	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	976,650	354,891
India	183,780	381,143
Pakistan	41,480	33,688
People's Republic of Bangladesh	30,463	29,333
United States of America	20,914	–
Algeria	3,625	7,865
Other regions	–	26
	1,256,912	806,946

The Group's non-current assets, excluding deferred tax assets, amounted to RMB139,777,000 (31 December 2023: RMB110,077,000), and are all located in the PRC.

6. OTHER GAINS AND INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	25,323	8,586
Net exchange gain	–	343
Gain on reversal of credit loss for trade and bills receivables	2,541	–
Government subsidies (<i>Note</i>)	8,005	5,501
Amortisation of government grants	5,010	16,831
Sundry income	99	122
	40,978	31,383

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.

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current Tax:		
Hong Kong profits tax	1,320	397
PRC enterprise income tax ("EIT")	1,961	4,305
Under/(over) provision in prior years:		
Hong Kong profits tax	–	(14)
EIT	269	1,921
	<u>3,550</u>	<u>6,609</u>
Deferred tax:		
Charge to current period	408	112
Income tax expenses	<u>3,958</u>	<u>6,721</u>

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	1,395	1,554
Salaries, allowances and other benefits (excluding directors' emoluments)	85,294	61,446
Contributions to retirement benefits scheme (excluding directors' emoluments)	7,295	8,008
Total staff costs	<u>93,984</u>	<u>71,008</u>
Amortisation of intangible assets	849	1,181
Amount of inventories recognised as an expense	1,146,986	702,442
Net foreign exchange losses/(gains)	890	(343)
Depreciation of property, plant and equipment	6,894	7,542
Depreciation of right-of-use assets	7,032	3,108
(Reversal of impairment loss)/impairment loss recognised in respect of trade and bills receivables	<u>(2,541)</u>	<u>722</u>

9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Earnings		
Earnings for the period attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>9,856</u>	<u>9,511</u>
Number of shares	'000	'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>

(a) Basic earnings per share

The number of shares used for the purpose of calculating basic earnings per share for the six months ended 30 June 2024 and 2023 is calculated on the basis of the number of ordinary shares of the Company.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2024 was the same as the basic earnings per share as there were no potential ordinary shares in issue for the six months ended 30 June 2024.

For the six months ended 30 June 2023, 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 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 30 June 2023, none of the performance conditions of the share options were met, and thus the dilutive potential ordinary shares are not included in the calculation of diluted earnings per share. As a result, diluted earnings per share is the same as basic earnings per share for the six months ended 30 June 2023.

11. TRADE AND BILLS RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	474,621	750,907
Less: Loss allowance	<u>(3,324)</u>	<u>(5,865)</u>
	471,297	745,042
Bills receivables	<u>18,037</u>	<u>63,788</u>
Trade and bills receivables	<u>489,334</u>	<u>808,830</u>

The gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB492,658,000 as at 30 June 2024 (31 December 2023: RMB814,695,000).

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. An ageing analysis of trade and bills receivables (after loss allowance) based on invoice dates is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 30 days	238,033	404,421
31 to 60 days	175,600	267,787
61 to 90 days	60,650	118,702
Over 90 days	15,051	17,920
Total	489,334	808,830

No interest is charged on the trade and bills receivables.

12. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Prepayments to supplies	46,585	21,106
Lease deposits and other deposits	2,722	5,856
VAT recoverable (<i>Note</i>)	78,156	52,649
Interest receivables	5,346	1,432
Others	6,685	1,024
Total	139,494	82,067

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

As at 30 June 2024 and 31 December 2023, there was no significant impairment for the prepayments and other receivables.

13. TRADE AND BILLS PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	476,118	834,590
Bills payables	1,781,857	2,324,122
Trade and bills payables	<u>2,257,975</u>	<u>3,158,712</u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 30 days	292,210	438,157
31 to 60 days	111,694	299,454
61 to 90 days	47,775	72,968
Over 90 days	24,439	24,011
Total	<u>476,118</u>	<u>834,590</u>

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 ageing analysis of bills payables at the end of the reporting period.

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 30 days	507,634	338,679
31 to 60 days	644,370	466,769
61 to 90 days	314,286	629,051
Over 90 days	315,667	889,623
Total	<u>1,781,857</u>	<u>2,324,122</u>

All the bills payables of the Group are not yet due at the end of each reporting period. Bills payables as at 30 June 2024 were secured by pledged bank deposit amounts of approximately RMB1,777,506,000 (31 December 2023: RMB2,368,420,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the six months ended 30 June 2024, 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 first half of 2024, the market for mobile phones and IoT related products in China demonstrated a steady performance. The Group successfully secured an increased volume of purchase orders for both smartphones and IoT related products. These orders came from the Group's major customers in China, indicating their continued trust and satisfaction with the Group's product quality and service. Revenue from China significantly increased by 1.8 times to RMB976.7 million for the six months ended 30 June 2024 from RMB354.9 million for the six months ended 30 June 2023. Despite the notable increase in revenue, the Group had to strategically accommodate a reduced gross profit margin. This was a necessary measure to ensure the procurement of sales orders from major customers. The decision, while impacting the Group's immediate profitability, is aimed at fostering long-term relationships and securing future business opportunities.

Overall, the Group achieved satisfactory results for the six months ended 30 June 2024. Revenue increased by approximately 55.8% to RMB1,256.9 million for the six months ended 30 June 2024 from RMB806.9 million for the six months ended 30 June 2023. Net profit increased by approximately 5.7% to RMB9.2 million for the six months ended 30 June 2024 from RMB8.7 million for the six months ended 30 June 2023.

OUTLOOK AND BUSINESS STRATEGY

Going forward, China's ODM mobile phone market will be filled with challenges and opportunities. 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 related 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 and gradually expand its production capacity, 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. During the six months ended 30 June 2024, the Group mainly derives its revenue from the sales of smartphones and IoT related 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 six months ended 30 June 2024 and 2023:

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Mobile phones				
– Smartphones	581,705	46.3	452,520	56.1
– Feature phones	217,885	17.3	115,210	14.3
Sub-total:	799,590	63.6	567,730	70.4
PCBAs	–	–	55,588	6.9
IoT related products	362,887	28.9	153,034	19.0
Others (<i>Note</i>)	94,435	7.5	30,594	3.7
Total	<u>1,256,912</u>	<u>100.0</u>	<u>806,946</u>	<u>100.0</u>

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 approximately 55.8% to RMB1,256.9 million for the six months ended 30 June 2024 from RMB806.9 million for the six months ended 30 June 2023.

Revenue from mobiles phones increased by 40.8% to RMB799.6 million for the six months ended 30 June 2024 from RMB567.7 million for the six months ended 30 June 2023, primarily attributed to the increase in sales of smartphones to the PRC and United States of America, but partially offset by the decrease in sales of smartphones to India.

Revenue from PCBAs decreased to nil for the six months ended 30 June 2024 from RMB55.6 million for the six months ended 30 June 2023, primarily attributed to the Group's strategy to reserve its capacity to meet the demand for smartphones and IoT related products from major customers in the PRC.

Revenue from IoT related products increased by 1.4 times to RMB362.9 million for the six months ended 30 June 2024 from RMB153.0 million for the six months ended 30 June 2023, primarily attributed to increase in sales orders from major customers in the PRC.

Revenue by geographical regions

The Group's products are mainly sold to 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 six months ended 30 June 2024 and 2023:

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Emerging Asia				
The PRC	976,650	77.7	354,891	44.0
India	183,780	14.6	381,143	47.2
Pakistan	41,480	3.3	33,688	4.2
People's Republic of Bangladesh	30,463	2.4	29,333	3.6
Sub-total:	1,232,373	98.0	799,055	99.0
Other regions				
United States of America	20,914	1.7	–	–
Algeria	3,625	0.3	7,865	1.0
Others	–	–	26	–
Sub-total:	24,539	2.0	7,891	1.0
Total	1,256,912	100.0	806,946	100.0

Revenue from the PRC increased by 1.8 times to RMB976.7 million for the six months ended 30 June 2024 from RMB354.9 million for the six months ended 30 June 2023, primarily attributed to increase in sales orders for smartphones and IoT related products from major customers in the PRC.

Revenue from India decreased by 51.8% to RMB183.8 million for the six months ended 30 June 2024 from RMB381.1 million for the six months ended 30 June 2023, primarily attributed to the decrease in demand for smartphones from major customers.

Revenue from Pakistan increased by 23.1% to RMB41.5 million for the six months ended 30 June 2024 from RMB33.7 million for the six months ended 30 June 2023, primarily attributed to the increase in demand for smartphones.

Revenue from People's Republic of Bangladesh remained relatively stable at RMB30.5 million for the six months ended 30 June 2024 as compared with RMB29.3 million for the six months ended 30 June 2023.

Revenue from the United States of America increased to RMB20.9 million for the six months ended 30 June 2024 from nil for the six months ended 30 June 2023, resulting from the Group's strategic marketing initiatives in this country.

Revenue from Algeria decreased by 54.4% to RMB3.6 million for the six months ended 30 June 2024 from RMB7.9 million for the six months ended 30 June 2023, primarily attributed to the decrease in demand for smartphones.

Gross profit and gross profit margin

Gross profit increased by 5.2% to RMB109.9 million for the six months ended 30 June 2024 from RMB104.5 million for the six months ended 30 June 2023, primarily attributed to the increase in revenue. Gross profit margin decreased to 8.8% for the six months ended 30 June 2024 from 13.0% for the six months ended 30 June 2023. Despite the notable increase in revenue, the Group had to strategically accommodate a reduced gross profit margin. This was a necessary measure to ensure the procurement of sales orders from major customers. The decision, while impacting the Group's immediate profitability, is aimed at fostering long-term relationships and securing future business opportunities.

Other gains and income

Other gains and income mainly include government subsidies, amortisation of government subsidies, net exchange gain, bank interest income, gain on reversal of credit loss for trade and bills receivables and sundry income. The Group's other gains and income increased by 30.6% to RMB41.0 million for the six months ended 30 June 2024 from RMB31.4 million for the six months ended 30 June 2023, primarily attributed to the increase in bank interest income, government subsidies and gain on reversal of credit loss for trade and bills receivables, but partially offset by the decrease in amortisation of government subsidies.

Selling expenses

Selling expenses mainly represent transportation and custom declaration expenses, salaries and employee benefits of our sales and marketing staff, marketing expenses, business-related travelling and entertainment expenses. Selling expenses increased by 5.0% to RMB25.1 million for the six months ended 30 June 2024 from RMB23.9 million for the six months ended 30 June 2023, primarily attributed to the increase in marketing expenses to enhance the customer base.

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 and other miscellaneous administrative expenses. Administrative and other expenses increased by 35.5% to RMB31.7 million for the six months ended 30 June 2024 from RMB23.4 million for six months ended 30 June 2023, primarily attributed to the increase in headcount and staff redundancy costs.

Research and development expenses

Research and development expenses decreased by 8.2% to RMB60.2 million for the six months ended 30 June 2024 from RMB65.6 million for the six months ended 30 June 2023, primarily attributed to the decrease in the number of research and development projects and 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 increased by 1.7 times to RMB20.8 million for the six months ended 30 June 2024 from RMB7.6 million for the six months ended 30 June 2023, primarily attributed to increase in interest on discounted bills financing and factoring loans.

Income tax expenses

The Group's income tax expenses decreased by 40.3% to RMB4.0 million for the six months ended 30 June 2024 from RMB6.7 million for the six months ended 30 June 2023, primarily attributed to the decrease in tax assessable profits. The effective income tax rate for the six months ended 30 June 2024 was 30.0% (six months ended 30 June 2023: 43.6%).

Profit for the period

As a result of the above factors, the Group recorded a net profit of RMB9.2 million for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB8.7 million).

Dividend

The Board does not recommend the payment of dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

Right-of-use assets

As at 30 June 2024, the Group's right-of-use assets amounted to RMB36.2 million (31 December 2023: RMB8.2 million). The increase was primarily attributed to the relocation of the Group's headquarters during the six months ended 30 June 2024.

Trade and bills receivables

As at 30 June 2024, the Group's trade and bills receivables amounted to RMB489.3 million (31 December 2023: RMB808.8 million). The Group generally grants credit period of 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 seven 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 decrease in the Group's trade and bills receivables as at 30 June 2024 was primarily attributed to settlements made by customers. Based on the dates of the relevant sales invoices, 96.9% of the Group's trade and bills receivables as at 30 June 2024 aged within 90 days and the Group did not notice any substantial long outstanding balances.

Prepayments and other receivables

As at 30 June 2024, the Group's prepayments and other receivables amounted to RMB139.5 million (31 December 2023: RMB82.1 million). The increase was primarily attributed to (i) higher prepayments to suppliers for raw materials in response to growing customer demand for the Group's products; and (ii) an increase in VAT recoverable.

Trade and bills payables

As at 30 June 2024, the Group's trade and bills payables amounted to RMB2,258.0 million (31 December 2023: RMB3,158.7 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 decrease in the Group's trade and bills payables as at 30 June 2024 was attributed to the settlements made by the Group to its suppliers. 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.

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 and borrowings.

The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group. As at 30 June 2024, the Group had net current assets of RMB284.0 million (31 December 2023: RMB272.8 million), cash and cash equivalents amounted to RMB29.7 million (31 December 2023: RMB68.0 million), pledged bank deposits of RMB1,777.5 million (31 December 2023: RMB2,368.4 million) and borrowings amounted to RMB135.6 million (31 December 2023: RMB154.4 million). The Group's cash and cash equivalents and borrowings as at 30 June 2024 were mainly denominated in RMB. As at 30 June 2024, the Group had borrowings of RMB19.7 million (31 December 2023: RMB35.0 million) subject to fixed interest rates and borrowings of RMB115.9 million (31 December 2023: RMB119.4 million) subject to variable interest rates. As at 30 June 2024, the Group had a current ratio of 1.1 times (31 December 2023: 1.2 times) and gearing ratio of 0.4 (calculated by dividing total debt by total equity) (31 December 2023: 0.4).

As at 30 June 2024, the Group's unutilised borrowing facilities amounted to RMB179.3 million (31 December 2023: RMB29.8 million).

CAPITAL EXPENDITURE

For the six months ended 30 June 2024, the Group incurred cash flows on capital expenditures for the purchase of properties, plant and equipment in the amount of RMB9.5 million (six months ended 30 June 2023: RMB4.7 million).

CAPITAL COMMITMENTS

As at 30 June 2024, the Group did not have capital commitments (31 December 2023: nil).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities or guarantees (31 December 2023: nil).

PLEDGE OF ASSETS

As at 30 June 2024, the Group pledged trade and bills receivables with carrying amount of RMB30.5 million (31 December 2023: RMB73.7 million), bank deposits with carrying amount of RMB1,777.5 million (31 December 2023: RMB2,368.4 million) and land and building with carrying amount of RMB46.0 million (31 December 2023: RMB47.6 million) to secure its borrowings and banking facilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2024 and 2023, 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 six months ended 30 June 2024.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

To further enhance the value the Group and its shareholders, the Group will consider potential investment opportunities when they arise. Saved as disclosed herein, the Group did not have any future plans for material investments and capital assets during the six months ended 30 June 2024.

FOREIGN EXCHANGE RISKS

For the six months ended 30 June 2024, the Group derived 22.3% (2023: 56.0%) of its total revenue from export sales and these export sales were principally denominated in USD. As at 30 June 2024, the Group had USD-denominated monetary assets with carrying amount of RMB116.8 million (31 December 2023: RMB211.9 million) and USD-denominated monetary liabilities of RMB114.4 million (31 December 2023: RMB221.5 million). The Group is exposed to foreign exchange risk arising from its export sales, monetary assets and liabilities denominated in foreign currencies. The Group did not enter into any foreign exchange hedging instruments during the six months ended 30 June 2024. 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 30 June 2024, the Group had approximately 1,343 employees (31 December 2023: 1,328 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance. For the six months ended 30 June 2024, the Group's total staff costs amounted to RMB94.0 million (2023: RMB71.0 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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2024, interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction By Directors of Listed Issuers (the “**Model Code**”) are as follows:

Interest in the Company

Name of Director	Capacity/nature of interest	Number of shares/underlying shares held (Note 1)	Percentage of shareholding in the Company (Approximate)
Mr. Li Chengjun (Note 2)	Founder of a discretionary trust	369,967,204 (L)	37.0%
Mr. Xiong Bin (Note 3)	Founder of a discretionary trust	305,032,256 (L)	30.5%

Notes:

1. The letter “L” denotes long position of the shares.
2. Leap Elite Limited is legally owned as to 100% by Mr. Li Chengjun for the benefit of the beneficiaries of the family trust found by himself. Accordingly, Mr. Li Chengjun is deemed to be interested in the shares held by Leap Elite Limited pursuant to the SFO.
3. Beyond Innovation Limited is legally owned as to 100% by Mr. Xiong Bin for the benefit of the beneficiaries of the family trust found by himself. Accordingly, Mr. Xiong Bin is deemed to be interested in the shares held by Beyond Innovation Limited pursuant to the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company had registered any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at 30 June 2024, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed in this announcement, at no time during the six months ended 30 June 2024 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 June 2024, the following corporation/persons (other than the interests of the Directors or chief executives of the Company as disclosed above) had interests of 5% or more in the issued shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/nature of interest	Number of shares held <i>(Note 1)</i>	Percentage of shareholding in the Company <i>(Approximate)</i>
Leap Elite Limited	Beneficial owner	369,967,204 (L)	37.0%
Beyond Innovation Limited	Beneficial owner	305,032,256 (L)	30.5%
Ms. Sui Rongmei <i>(Note 2)</i>	Interest of spouse	369,967,204 (L)	37.0%
Ms. Yan Xue <i>(Note 3)</i>	Interest of spouse	305,032,256 (L)	30.5%
JZ Capital Limited <i>(Note 4)</i>	Beneficial owner	65,000,540 (L)	6.5%
Mr. Ko Hin Ting, James <i>(Note 4)</i>	Interest in a controlled corporation	65,000,540 (L)	6.5%
Ms. Chu Wing Yee, Vaneese <i>(Note 5)</i>	Interest of spouse	65,000,540 (L)	6.5%

Notes:

1. The letter "L" denotes long position of the shares.
2. Ms. Sui Rongmei is the spouse of Mr. Li Chengjun. By virtue of the SFO, she is deemed to be interested in the same number of shares held by Mr. Li Chengjun.
3. Ms. Yan Xue is the spouse of Mr. Xiong Bin. By virtue of the SFO, she is deemed to be interested in the same number of shares held by Mr. Xiong Bin.
4. JZ Capital Limited is owned as to 99% by Mr. Ko Hin Ting, James. As such, Mr. Ko Hin Ting, James is deemed to be interested in the shares held by JZ Capital Limited pursuant to the SFO.
5. Ms. Chu Wing Yee, Vaneese is the spouse of Mr. Ko Hin Ting, James. By virtue of the SFO, she is deemed to be interested in the same number of shares held by Mr. Ko Hin Ting, James.

Save as disclosed above, as at 30 June 2024, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares if any) for the six months ended 30 June 2024.

As at 30 June 2024, the Company did not hold any treasury shares.

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, which would require disclosure under Rule 8.10 of the Listing Rules. or has any other conflict of interest with the Group during the six months ended 30 June 2024 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 become effective on the Listing Date. 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 the Listing Date (i.e. 100,000,000 shares) unless approved by the shareholders of the Company.

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.

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 30 June 2024, the remaining life of the Share Option Scheme is approximately five years and 3.5 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.

As at 1 January 2024 and 30 June 2024, the number of share options available for grant under the Share Option Scheme was 100,000,000 and 100,000,000, respectively. During the six months ended 30 June 2024, no share options were granted, exercised, cancelled or lapsed.

AUDIT COMMITTEE

The Company's interim results for the six months ended 30 June 2024 have been reviewed by the Audit Committee and the Audit Committee have also discussed the related financial matters with the Board.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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 of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the six months ended 30 June 2024 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 Listing Rules since the Listing Date. Except for code provision C.2.1, the Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2024.

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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued shares during the six months ended 30 June 2024 and up to the date of this announcement.

EVENT AFTER THE REPORTING PERIOD

No significant events affecting the Group have occurred after the reporting period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.sprocomm.com). The interim report of the Company for the six months ended 30 June 2024 will be dispatched (if requested by Shareholder(s)) 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

Hong Kong, 29 August 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.