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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 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Revenue (<i>RMB'000</i>)	911,737	857,580
Gross profit (<i>RMB'000</i>)	67,436	86,840
Gross profit margin (%)	7.4	10.1
Net (loss)/profit for the period (<i>RMB'000</i>)	(34,127)	12,596
(Loss)/earnings per share		
– Basic and diluted (<i>RMB cents</i>)	(3.39)	1.27

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 2021. These results have been reviewed by SHINEWING (HK) CPA Limited, the external auditor of the Group, and 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 2021

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	911,737	857,580
Cost of sales		(844,301)	(770,740)
		<hr/>	<hr/>
Gross profit		67,436	86,840
Other gains and income	6	17,405	29,110
Selling expenses		(20,365)	(14,396)
Administrative and other expenses		(31,528)	(35,110)
Research and development expenses		(61,799)	(50,804)
Finance costs		(3,058)	(2,740)
		<hr/>	<hr/>
(Loss) profit before tax		(31,909)	12,900
Income tax expenses	7	(2,218)	(304)
		<hr/>	<hr/>
(Loss) profit for the period	8	(34,127)	12,596
Other comprehensive (expenses) income for the period:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translating foreign operations		316	(1,278)
		<hr/>	<hr/>
Total comprehensive (loss) income for the period		(33,811)	11,318
		<hr/> <hr/>	<hr/> <hr/>
(Loss) profit attributable to:			
Owners of the Company		(33,922)	12,655
Non-controlling interests		(205)	(59)
		<hr/>	<hr/>
		(34,127)	12,596
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (expenses) income attributable to:			
Owners of the Company		(33,606)	11,377
Non-controlling interests		(205)	(59)
		<hr/>	<hr/>
		(33,811)	11,318
		<hr/> <hr/>	<hr/> <hr/>
(Loss) earnings per share			
Basic and diluted (<i>RMB cents</i>)	10	(3.39)	1.27
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Non-current Assets			
Property, plant and equipment		131,294	139,564
Right-of-use assets		23,143	7,007
Intangible assets		5,761	6,233
Deferred tax asset		404	795
		160,602	153,599
Current Assets			
Inventories		367,813	319,386
Trade and bills receivables	11	211,318	339,218
Prepayments and other receivables	12	153,710	101,673
Pledged bank deposits		231,986	251,071
Restricted deposits		16,201	16,210
Bank balances and cash		51,301	26,327
		1,032,329	1,053,885
Current Liabilities			
Trade and bills payables	13	482,483	591,972
Accruals and other payables		81,563	84,585
Contract liabilities		151,121	93,317
Borrowings		89,243	34,463
Lease liabilities		9,921	6,484
Deferred income		6,180	6,012
Income tax payable		7,126	4,907
		827,637	821,740
Net current assets		204,692	232,145
Total assets less current liabilities		365,294	385,744

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Capital and Reserves		
Share capital	8,945	8,945
Reserves	290,785	324,391
	<hr/>	<hr/>
Equity attributable to owners of the Company	299,730	333,336
Non-controlling interests	1,606	1,811
	<hr/>	<hr/>
Total Equity	301,336	335,147
	<hr/>	<hr/>
Non-current liabilities		
Deferred income	19,783	16,777
Deferred tax liability	14,270	14,596
Lease liabilities	12,375	169
Borrowings	17,530	19,055
	<hr/>	<hr/>
	63,958	50,597
	<hr/>	<hr/>
	365,294	385,744
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

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

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

The 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 2021 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 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

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 2020.

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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS16	COVID-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the Amendments to References to the Conceptual Framework in HKFRS and the above amendments to HKFRSs in the current interim period has had no 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.

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 at a point in time.

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

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Mobile phone	605,737	538,569
PCBAs	–	58,401
IoT related products	202,932	236,975
Others	103,068	23,635
	<u>911,737</u>	<u>857,580</u>

5. SEGMENT INFORMATION

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

Geographical information

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
India	481,537	280,104
Algeria	8,071	7,003
The People's Republic of China (the "PRC")	304,374	449,006
Pakistan	1,069	13,819
People's Republic of Bangladesh	107,585	107,387
Other regions	9,101	261
	<u>911,737</u>	<u>857,580</u>

6. OTHER GAINS AND INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	2,746	2,907
Gain arising from change in fair value of financial assets at fair value through profit or loss	–	5,542
Gain on reversal of credit loss for trade and bills receivables	2,587	–
Government subsidies (<i>Note</i>)	8,611	14,613
Amortisation of government grants	3,438	3,067
Sundry income	23	2,981
	<u>17,405</u>	<u>29,110</u>

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

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Current Tax:		
Hong Kong profits tax	1,621	–
PRC enterprise income tax (“EIT”)	523	79
Under (over)provision in prior years:		
EIT	9	(1,630)
	<u>2,153</u>	<u>(1,551)</u>
Deferred tax:		
Charge to current period	65	1,855
Income tax expenses	<u>2,218</u>	<u>304</u>

8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Directors’ emoluments	1,321	1,025
Salaries, allowances and other benefits (excluding directors’ emoluments)	70,043	57,057
Share-based payment expenses granted to employees	–	573
Contributions to retirement benefits scheme (excluding directors’ emoluments)	11,604	2,956
Total staff costs	<u>82,968</u>	<u>61,611</u>
Auditors’ remuneration	264	227
Amortisation of intangible assets	472	459
Amount of inventories recognised as an expense	844,301	770,740
Net foreign exchange losses	2,001	3,619
Depreciation of property, plant and equipment	10,600	5,526
Depreciation of right-of-use assets	6,443	5,694
(Reversal of) impairment loss recognised in respect of trade and bills receivables	(2,587)	6,583
Provision for litigation	3,459	327

Note: According to the policies on reduction of social insurance fees announced by the Ministry of Human Resources and Social Security of the PRC during the six months ended 30 June 2020, the Company’s PRC subsidiaries were entitled to waivers of certain social insurance fees during February to June 2020.

9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

10. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
(Loss) earnings		
(Loss) earnings for the period attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	<u>(33,922)</u>	<u>12,655</u>
Number of shares	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

(a) Basic (loss) earnings per share

The number of shares used for the purpose of calculating basic earnings per share for the six months ended 30 June 2021 and 2020 is calculated on the basis of the number of ordinary shares of the Company.

(b) Diluted (loss) earnings per share

As at 30 June 2021 and 30 June 2020, 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 (loss) earnings per share. As a result, diluted earnings per share is the same as basic earnings per share for the periods ended 30 June 2021 and 30 June 2020.

11. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	206,863	333,696
Bills receivables	6,867	10,521
Less: Loss allowance for trade and bills receivables	<u>(2,412)</u>	<u>(4,999)</u>
Trade and bills receivables	<u>211,318</u>	<u>339,218</u>

The gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB213,730,000 as at 30 June 2021 (31 December 2020: RMB344,217,000).

The Group allows credit period of 30–90 days to its trade customers depending on creditability of the customers. The Group does not hold any collateral over its trade and bills receivables. The following is an aged analysis of trade and bills receivables, presented based on invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 30 days	132,861	261,873
31 to 60 days	28,215	34,177
61 to 90 days	21,970	24,672
Over 90 days	<u>28,272</u>	<u>18,496</u>
Total	<u>211,318</u>	<u>339,218</u>

No interest is charged on the trade and bills receivables.

12. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Prepayments	73,014	36,664
Deposit	2,328	1,776
Other tax recoverable	74,946	59,343
Others	<u>3,422</u>	<u>3,890</u>
Total	<u>153,710</u>	<u>101,673</u>

Note: Included in prepayments and other receivables are other receivables and refundable deposits of approximately RMB5,750,000 as at 30 June 2021 (31 December 2020: RMB5,666,000). These balances have low risk of default or have not been a significant increase in credit risk since initial recognition and no impairment loss is recognised.

13. TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	230,780	333,546
Bills payables	251,703	258,426
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Trade and bills payables	482,483	591,972
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The following is an aged analysis of trade and bills payables presented based on invoice date at the end of the reporting period.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 30 days	141,949	286,118
31 to 60 days	121,447	158,663
61 to 90 days	105,506	53,480
Over 90 days	113,581	93,711
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Total	482,483	591,972
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchases of goods is ranging from 30 to 60 days.

14. LITIGATIONS

During the reporting period, there were legal claims arising from the normal course of business being lodged against the Group and no specific claim amount has been specified in the applications of these claims except as detailed below. In the opinion of the directors of the Company and after consulting the legal professional advice, the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

On 7 May 2019, an independent factoring company (the “**Plaintiff**”) filed a lawsuit at Beijing Haidian District People’s Court (the “**District Court**”) against Shenzhen Sprocomm Technology Co., (Sprocomm Limited) and a customer of Shenzhen Sprocomm owing the factored accounts receivable (the “**First Defendant**”) for the repayment of the outstanding accounts receivable under the factoring agreement in the amount of RMB29,200,000 (the “**Relevant Sum**”) and the relevant interests.

In December 2020, Shenzhen Sprocomm has received the judgement of the first trial from the District Court ruling it to repay the factored loan amount at approximately RMB26,805,000 and the relevant interest at approximately RMB3,303,000. In February 2021, Shenzhen Sprocomm filed an appeal (the “**Appeal**”) to the First Intermediate People’s Court of Beijing Municipality (the “**First Intermediate Court**”).

During the six months ended 30 June 2021, the legal proceeding was still in progress and additional provision of approximately RMB3,459,000 (six months ended 30 June 2020: RMB327,000) was made by the directors of the Company with reference to legal opinion obtained and available information. The provision was recognised in the administrative expenses in the consolidated statements of profit or loss and other comprehensive income and other payable in the consolidated statements of financial position.

As at 30 June 2021, the Group had provision for litigation (the “**Provision**”) of approximately RMB5,552,000 (31 December 2020: RMB2,093,000) included in other payables in the consolidated statement of financial position.

Based on the legal opinion from the PRC lawyer which considered the Relevant Sum and previous payments from First Defendant to the Plaintiff, the directors of the Company estimated that the outstanding liability of Shenzhen Sprocomm amounted to be RMB26,805,000 (which is included in borrowings in the consolidated statement of financial position) plus the relevant interest, legal costs and court fees (31 December 2020: RMB17,073,000).

As at 30 June 2021, aggregate bank balances of approximately RMB16,201,000 (31 December 2020: RMB16,210,000) in Shenzhen Sprocomm were being frozen by banks as the respective banks had received notice from court with regard to the litigation claim. Such bank balances were included in restricted deposits in the consolidated statement of financial position.

Subsequent to the end of the reporting period, on 6 August 2021, Shenzhen Sprocomm received the judgement of the second trial from the First Intermediate Court which dismissed the Appeal and ruled that the District Court’s decision remains effective. The Group is now preparing a further appeal to the First Intermediate Court. The directors of the Company, with reference to the legal opinion obtained and available information, considered that the Provision has adequately covered the maximum exposure including of total claims and legal cost of the case. In addition, in connection with the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, a deed of indemnity was signed on 18 October 2019, pursuant to which the Controlling Shareholders, irrecoverably and unconditionally undertakes to jointly pay up the entire sum or the shortfall and other costs and expenses which may be made, suffered, or incurred in relation to this litigation in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the six months ended 30 June 2021, the global economy was gradually recovering from the outbreak of the novel coronavirus. The Group, as one of the leading ODM mobile phone suppliers based in China, continues to focus on the research and development, designing, manufacturing and sale of mobile phones, PCBAs for mobile phones and IoT related products, targeting emerging markets.

The global demand for smartphones and other electronic devices were rising during the six months ended 30 June 2021. The Group's total revenue for the six months ended 30 June 2021 increased by 6.3% to RMB911.7 million from RMB857.6 million for the six months ended 30 June 2020. However, the rising demand caused a global shortage of electronic components, which significantly increased the Group's cost of raw materials (in particular mobile chips and screen for the mobile devices). As a result, the Group's overall gross profit margin for the six months ended 30 June 2021 decreased to approximately 7.4% as compared with approximately 10.1% for the six months ended 30 June 2020. To maintain market competitiveness, the Group devoted more resources into the research and development of own-branded products and IoT related products and the research and development expenses for the six months ended 30 June 2021 increased by 21.7% as compared with the six months ended 30 June 2020. Further, contributions to retirement benefits scheme for the Group's employees for the six months ended 30 June 2021 significantly increased as micro, small and medium size enterprises enrolled in China Social Security Schemes were exempt from making employer contributions to pension, unemployment and work-related injury insurance schemes between February and June 2020. Overall, the Group recorded a net loss of RMB34.1 million for the six months ended 30 June 2021. In response to the financial performance for the six months ended 30 June 2021, the Group has taken various corresponding actions, including but not limited to the increase in inventory level of raw materials, cost controls, regular communications with customers to secure the sales orders and confirm the delivery schedule.

OUTLOOK AND BUSINESS STRATEGY

Going forward, China's ODM mobile phone market will be filled with challenges and opportunities. 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 2021, 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 six months ended 30 June 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Mobile phones				
– Smartphones	511,145	56.1	407,425	47.5
– Feature phones	94,592	10.3	131,144	15.3
Sub-total:	605,737	66.4	538,569	62.8
PCBAs	–	–	58,401	6.8
IoT related products	202,932	22.3	236,975	27.6
Others (<i>Note</i>)	103,068	11.3	23,635	2.8
Total	911,737	100.0	857,580	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 6.3% to RMB911.7 million for the six months ended 30 June 2021 from RMB857.6 million for the six months ended 30 June 2020, primarily attributed to the increased sales of mobile phones to India, but partially offset by the decreased sales of IoT related products to the PRC.

Revenue from mobiles phones increased by 12.5% to RMB605.7 million for the six months ended 30 June 2021 from RMB538.6 million for the six months ended 30 June 2020, primarily attributed to the increase in sales of smartphones to India.

Revenue from PCBAs decreased to nil for the six months ended 30 June 2021 from RMB58.4 million for the six months ended 30 June 2020. During the six months ended 30 June 2021, customers placed orders for mobile phones instead of PCBAs to suit their own needs.

Revenue from IoT related products decreased by 14.4% to RMB202.9 million for the six months ended 30 June 2021 from RMB237.0 million for the six months ended 30 June 2020, primarily because the delivery schedule of IoT related products to some major PRC customers was rescheduled to the second half of 2021.

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 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Emerging Asia				
India	481,537	52.8	280,104	32.7
Pakistan	1,069	0.1	13,819	1.6
Bangladesh	107,585	11.8	107,387	12.5
The PRC	304,374	33.4	449,006	52.4
Sub-total:	894,565	98.1	850,316	99.2
Other regions				
Algeria	8,071	0.9	7,003	0.8
Others	9,101	1.0	261	–
Sub-total:	17,172	1.9	7,264	0.8
Total	911,737	100.0	857,580	100.0

Revenue from India increased by 71.9% to RMB481.5 million for the six months ended 30 June 2021 from RMB280.1 million for the six months ended 30 June 2020 attributed to the combined effects of (i) the outbreak of COVID-19 caused delays in the Group's production schedules and delivery of products to customers in the first half of 2020; (ii) the Group's production schedule and delivery of products to customers in India gradually resumed in the second half of 2020; and (iii) demand for smartphones in India continued to rise in the first half of 2021.

Revenue from Pakistan decreased by 92.0% to RMB1.1 million for the six months ended 30 June 2021 from RMB13.8 million for the six months ended 30 June 2020, primarily attributed to decrease in purchase orders for smartphones.

Revenue from Bangladesh remained stable at RMB107.6 million for the six months ended 30 June 2021 as compared with RMB107.4 million for the six months ended 30 June 2020.

Revenue from the PRC decreased by 32.2% to RMB304.4 million for the six months ended 30 June 2021 from RMB449.0 million for the six months ended 30 June 2020, primarily because the delivery schedule of IoT related products to some major PRC customers was rescheduled to the second half of 2021 and revenue from IoT related products for the six months ended 30 June 2021 decreased accordingly.

Revenue from Algeria increase by 15.7% to RMB8.1 million for the six months ended 30 June 2021 from RMB7.0 million for the six months ended 30 June 2020, primarily attributed to the increase in purchase orders for smartphones.

Gross profit and gross profit margin

Gross profit decreased by 22.4% to RMB67.4 million for the six months ended 30 June 2021 from RMB86.8 million for the six months ended 30 June 2020. Gross profit margin decreased to 7.4% for the six months ended 30 June 2021 from 10.1% for the six months ended 30 June 2020. The decrease in gross profit and gross profit margin was primarily attributed to the increment in the costs of raw materials (in particular mobile chips and screen for the mobile devices) in the first half of 2021 driven by the global shortage of electronic components.

Other gains and income

Other gains and income mainly include comprises government subsidies and amortisation of government subsidies, net exchange gain, gain arising from change in fair value of financial assets at fair value through profit and loss, gain on reversal of credit loss for trade and bills receivables, bank interest income and sundry income. The Group's other gains and income decreased by 40.2% to RMB17.4 million for the six months ended 30 June 2021 as compared with RMB29.1 million for the six months ended 30 June 2020, primarily attributed to decrease in government subsidies and gain arising from change in fair value of financial assets at fair value through profit or loss.

Selling expenses

Selling expenses mainly represent transportation and custom declaration expenses, salaries and employee benefits of our sales and marketing staff, business-related travelling and entertainment expenses. Selling expenses for the six months ended 30 June 2021 increased by 41.7% to RMB20.4 million from RMB14.4 million for the six months ended 30 June 2020 because the higher proportion of sales to India for the six months ended 30 June 2021 increased the transportation and custom declaration expenses incurred by the Group.

Administrative and other expenses

Administrative and other expenses mainly represent salaries and benefits of our administrative and management staff, depreciation, amortisation of intangible assets, general office expenses, legal and professional fees, rental expenses, insurance expenses, bank charges, exchange losses, listing expenses and other miscellaneous administrative expenses. Administrative and other expenses for six months ended 30 June 2021 decreased by 10.3% to RMB31.5 million from RMB35.1 million for the six months ended 30 June 2020. The decrease in administrative and other expenses was primarily attributed to the decrease in impairment loss recognised in respect of trade and bills receivables, but partially offset by the increase in provision for litigation.

Research and development expenses

Research and development expenses for the six months ended 30 June 2021 increased by 21.7% to RMB61.8 million from RMB50.8 million for the six months ended 30 June 2020, primarily attributed to (i) the increase in contributions to retirement benefits scheme for the Group's employees as micro, small and medium size enterprises enrolled in China Social Security Schemes were exempt from making employer contributions to pension, unemployment and work-related injury insurance schemes between February and June 2020; and (ii) more resources devoted into the research and development of own-branded products and IoT related products.

Finance costs

Finance costs mainly represent interests on discounted bills, interest portion of lease liabilities, bank borrowings and factoring loans. The Group's finance costs increased by 14.8% to RMB3.1 million for the six months ended 30 June 2021 from RMB2.7 million for the six months ended 30 June 2020, primarily attributed to increase in interest on discounted bills financing and factoring loans.

Income tax expenses

For the six months ended 30 June 2021, the Group's income tax expenses increased to RMB2.2 million from RMB0.3 million for the six months ended 30 June 2020, primarily attributed to increase in Hong Kong profits tax and decrease in over provision of income tax expenses in prior years.

Loss/profit for the period

As a result of the above factors, the Group recorded a net loss of RMB34.1 million for the six months ended 30 June 2021 (six months ended 30 June 2020: net profit of RMB12.6 million).

Dividend

The Board does not recommend the payment of dividend for the six months ended 30 June 2021 (2020: nil).

Trade and bills receivables

As at 30 June 2021, the Group's trade and bills receivables amounted to RMB211.3 million (31 December 2020: RMB339.2 million). The Group generally grants credit period ranging from 30 to 90 days to its customers and allows its PRC customers to settle their purchases by way of bills with maturity period ranging from three to six months.

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

The decrease in the Group's trade and bills receivables as at 30 June 2021 was primarily attributed to (i) the decrease in sales during the six months ended 30 June 2021; and (ii) the settlement from customers. Based on the dates of the relevant sales invoices, 86.6% of the Group's trade and bills receivables as at 30 June 2021 aged within 90 days and the Group did not notice any substantial long outstanding balances.

Trade and bills payables

As at 30 June 2021, the Group's trade and bills payables amounted to RMB482.5 million (31 December 2020: RMB592.0 million). Suppliers generally grant the Group credit period ranging from 30 to 60 days, with certain suppliers require the Group to make advance payment before product delivery. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. Certain suppliers allow the Group to settle its purchases by way of bank acceptance bills and the Group may also endorse certain bills receivables to its suppliers in order to settle the trade payable due to them.

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. As at 30 June 2021, the Group had net current assets of RMB204.7 million (31 December 2020: RMB232.1 million), cash and cash equivalents amounted to RMB51.3 million (31 December 2020: RMB26.3 million), pledged bank deposits of RMB232.0 million (31 December 2020: RMB251.1 million) and borrowings amounted to RMB106.8 million (31 December 2020: RMB53.5 million). The Group's cash and cash equivalents and borrowings as at 30 June 2021 were mainly denominated in RMB. As at 30 June 2021, the Group had borrowings of RMB86.2 million (31 December 2020: RMB31.4 million) subject to fixed interest rates and borrowings of RMB20.6 million (31 December 2020: RMB22.1 million) subject to variable interest rates. As at 30 June 2021, the Group had a current ratio of 1.2 times (31 December 2020: 1.3 times) and gearing ratio of 0.4 (calculated by dividing total debt by total equity) (31 December 2020: 0.2).

As at 30 June 2021, the Group's unutilised borrowing facilities amounted to RMB102 million (31 December 2020: RMB148.7 million).

CAPITAL COMMITMENTS

As at 30 June 2021, the Group did not have capital commitments (31 December 2020: nil).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities or guarantees (31 December 2020: nil).

PLEDGE OF ASSETS AND RESTRICTED DEPOSIT

As at 30 June 2021, the Group pledged trade and bills receivables with carrying amount of RMB70.6 million (31 December 2020: RMB29.4 million), bank deposits with carrying amount of RMB232.0 million (31 December 2020: RMB251.1 million) and land and building with carrying amount of RMB55.3 million (31 December 2020: RMB56.8 million) to secure its borrowings and banking facilities.

As at 30 June 2021, the Group had restricted deposit of RMB16.2 million (31 December 2020: RMB16.2 million), representing bank balances frozen by banks that had received notice from court with regard to the litigation claim detailed in note 14 of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2021 and 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Saved as disclosed herein, the Group did not make any other significant investments during the six months ended 30 June 2021.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group set out its future plans in its prospectus dated 30 October 2019 (the “**Prospectus**”). As part of its future plans, the Group will also devote more resources into research and development to enrich its product offering on both mobile phone related products and IoT related products. These future plans will be funded by a balanced mix of internal resources, borrowings and proceeds from the global offering. To further enhance the value the Group and its shareholders, the Group will also consider potential investment opportunities when they arise.

On 26 November 2020, Shanghai Hemiao Chuangxian Intelligent Technology Co., Ltd. (formerly known as Sprocomm Intelligence Limited) (“**Sprocomm Hemiao**”), an indirect wholly-owned subsidiary of the Company, entered into an investment agreement with the Management Committee of New Lingang Area of PRC (Shanghai) Pilot Free Trade Zone* (中國(上海)自由貿易試驗區臨港新片區管理委員會) (the “**Lingang Committee**”), pursuant to which, among others, (i) Sprocomm Hemiao agreed to set up a smart device R&D headquarters at New Lingang Area with an investment of fixed assets of not less than RMB120 million (equivalent to approximately HK\$142 million); and (ii) Lingang Committee agreed to provide various kinds of support and subsidy to Sprocomm Hemiao. As at 30 June 2021, the aforesaid investment was still in a preliminary planning stage and it is expected that the public bidding for the relevant land parcel will take place in the first half of 2022. For the investment amount and schedule and other details of this investment agreement, please refer to the Company’s announcement dated 26 November 2020.

FOREIGN EXCHANGE RISKS

For the six months ended 30 June 2021, the Group derived 66.6% (2020: 47.6%) of its total revenue from export sales and these export sales were principally denominated in USD. As at 30 June 2021, the Group had USD-denominated monetary assets with carrying amount of RMB136.2 million (31 December 2020: RMB201.4 million) and USD-denominated monetary liabilities of RMB64.6 million (31 December 2020: RMB19.1 million). The Group is exposed to foreign exchange risk arising from its export sales, monetary assets and liabilities denominated in foreign currencies. The Group did not enter into any foreign exchange hedging instruments during the six months ended 30 June 2021. 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 2021, the Group had approximately 1,078 employees (31 December 2020: 1,836 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance. For the six months ended 30 June 2021, the Group's total staff costs amounted to RMB83.0 million (2020: RMB61.6 million). 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.

USE OF PROCEEDS FROM IPO

Shares of the Company were listed on the Main Board of the Stock Exchange on 13 November 2019. The net proceeds from the IPO, net of underwriting commissions and other relevant expenses, amounted to approximately HK\$84.4 million. The Group will apply such proceeds in accordance with the section headed "Future plans and use of proceeds" set out in the Prospectus.

The use of the net proceeds from the Listing Date up to 30 June 2021 had been applied as follows:

	Planned use of net proceeds (approximately)	Utilised net proceeds from IPO as at 30 June 2021 (approximately)	Unutilised net proceeds from IPO as at 30 June 2021 (approximately)	Expected timeline for unutilised net proceeds from IPO
Enhance SMT production capacity	HK\$38.8 million	HK\$38.8 million	–	N/A
Enhance research and development capabilities	HK\$14.2 million	HK\$14.2 million	–	N/A
Enhance sales and marketing force to diversify customer base	HK\$8.6 million	HK\$8.6 million	–	N/A
Upgrade enterprise planning resource system	HK\$5.7 million	HK\$5.7 million	–	N/A
Repayment of bank loans	HK\$8.8 million	HK\$8.8 million	–	N/A
General working capital	HK\$8.3 million	HK\$8.3 million	–	N/A
Total	HK\$84.4 million	HK\$84.4 million	–	

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 2021, 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%
Mr. Guo Qinglin (Note 4)	Share option	3,500,000 (L)	0.35%
Mr. Wen Chuanchuan (Note 5)	Share option	3,500,000 (L)	0.35%

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.
4. The personal interest of Mr. Guo Qinglin represents the interest in 3,500,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the section headed “Share option scheme” below.
5. The personal interest of Mr. Wen Chuanchuan represents the interest in 3,500,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the section headed “Share option scheme” below.

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 2021, 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 2021 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 2021, 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	75,000,540 (L)	7.5%
Mr. Ko Hin Ting, James <i>(Note 4)</i>	Interest in a controlled corporation	75,000,540 (L)	7.5%
Ms. Chu Wing Yee, Vaneese <i>(Note 5)</i>	Interest of spouse	75,000,540 (L)	7.5%

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 2021, 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 for the six months ended 30 June 2021.

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 2021 and up to the date of this announcement.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 18 October 2019 (“**Adoption Date**”), which 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.

As at 30 June 2021, the number of shares of the Company available for issue under the Share Option Scheme upon the exercise of all above outstanding share options was 48,500,000, representing 4.85% of the total issued shares 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 2021, the remaining life of the Share Option Scheme is approximately eight 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.

(i) Outstanding options

During the six months ended 30 June 2021, the Company did not grant share options and no share options were exercised and 17,300,000 share options lapsed. Details of the Company’s share options from 1 January 2021 to 30 June 2021 are as follows:

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

	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding
					as at 1 January 2021				as at 30 June 2021
Category 2: Employees									
Tranche 1	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2021	1 July 2021 to 13 April 2025	14,940,000	-	-	(2,490,000)	12,450,000
Tranche 2	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2022	1 July 2022 to 13 April 2025	14,940,000	-	-	(2,490,000)	12,450,000
Tranche 3	14 April 2020	HK\$0.51	14 April 2020 to 30 June 2023	1 July 2023 to 13 April 2025	19,920,000	-	-	(3,320,000)	16,600,000
Subtotal					49,800,000	-	-	(8,300,000)	41,500,000
Total					65,800,000	-	-	(17,300,000)	48,500,000

(ii) Valuation of share options

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

	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 2021 to 13 April 2025	1 July 2022 to 13 April 2025	1 July 2023 to 13 April 2025
Risk-free rate	0.58%	0.58%	0.60%
Expected dividend yield	-	-	-

- (2) Expected volatility was determined by calculating the historical volatility of the price of listed companies with businesses similar to the Group. The expected dividend yield is determined by the directors based on the expected future performance and dividend policy of the Group.
- (3) The Group did not recognise share-based payment expenses for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB0.7 million) in relation to share options granted by the Company.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited interim results for the six months ended 30 June 2021 have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by the Company’s auditor, SHINEWING (HK) CPA Limited. The Company’s interim results for the six months ended 30 June 2021 have also 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 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the six months ended 30 June 2021 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company has adopted a set of corporate governance practices which aligns with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules since the Listing Date. Except for code provision A.2.1, the Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2021.

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

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

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 2021 and up to the date of this announcement.

EVENT AFTER THE REPORTING PERIOD

On 6 August 2021, the Group received a judgement on its litigation. For details of this litigation, please refer to note 14 of this announcement. Other than that, 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 2021 will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board
Sprocomm Intelligence Limited
Mr. Li Chengjun
Chairman

Hong Kong, 27 August 2021

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.