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SPROCOMM INTELLIGENCE LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1401)

PROFIT WARNING

This announcement is made by Sprocomm Intelligence Limited (the “**Company**” together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and the potential investors that, based on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2021 and information currently available to the Company, the Group expects that it will record a net loss of not less than RMB20.0 million as opposed to a net profit of RMB12.6 million for the six months ended 30 June 2020. The expected net loss is mainly attributed to: (i) 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. As a result, the Group’s overall gross profit margin for the six months ended 30 June 2021 is expected to decrease to approximately 7.5% as compared with approximately 10.1% for the six months ended 30 June 2020; (ii) the increase in research and development expenses by approximately 15.0% to approximately 30.0% as the Group devoted more resources into the research and development of own-branded products and IoT-related products; and (iii) the increase in contributions to retirement benefits scheme for the Group’s employees by more than 100% 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.

The information contained in this announcement is only based on the information currently available to the Company and the preliminary review by the Board on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2021, which have not been reviewed or audited by the independent auditors and/or the audit committee of the Company. The actual financial results of the Group for the six months ended 30 June 2021 may differ from what is disclosed in this announcement. Shareholders and potential investors are advised to read carefully the interim results announcement of the Company for the six months ended 30 June 2021, which is expected to be published in August 2021 in accordance with the requirements of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 20 July 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.