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SPROCOMM INTELLIGENCE LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1401)

DISCLOSEABLE TRANSACTION INVESTMENT AGREEMENT

THE INVESTMENT AGREEMENT

The Company is pleased to announce that on 26 November 2020, Sprocomm Intelligence, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with Lingang Committee, pursuant to which, among others, (i) Sprocomm Intelligence agreed to set up a smart device R&D headquarters at New Lingang Area with an investment of fixed assets of not less than RMB120 million (equivalent to approximately HK\$142 million); and (ii) Lingang Committee agreed to provide various kinds of support and subsidy to Sprocomm Intelligence.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction exceed 5% but all are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Company is pleased to announce that on 26 November 2020, Sprocomm Intelligence, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with Lingang Committee, pursuant to which, among others, (i) Sprocomm Intelligence agreed to set up a smart device R&D headquarters at New Lingang Area with an investment of fixed assets of not less than RMB120 million; and (ii) Lingang Committee agreed to provide various kinds of support and subsidy to Sprocomm Intelligence.

THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are summarised below:

Date:	26 November 2020
Parties:	(i) Lingang Committee; and (ii) Sprocomm Intelligence
Setting up of the R&D Headquarters:	<p>Sprocomm Intelligence shall set up the R&D Headquarters at New Lingang Area, which shall be primarily for R&D use, while a small portion of which may be used for trial production line purposes.</p> <p>The usage of the land where the R&D Headquarters is to be located at is subject to public bidding procedures, the terms and conditions of the sale and purchase agreement to be entered into between Sprocomm Intelligence and the relevant governmental body.</p>
Location and area of the R&D Headquarters:	The Innovative Cooperation Zone of the New Lingang Area, approximately 10 acres
Investment amount and schedule:	<p>Sprocomm Intelligence shall invest not less than RMB120 million (equivalent to approximately HK\$142 million) as the fixed assets of the R&D Headquarters.</p> <p>The construction the R&D Headquarters and the completion of which shall be within 6 months and 30 months after completion of the sale and purchase of the land of the R&D Headquarters (the “Completion”) respectively. The R&D Headquarters shall commence operation within 36 months upon the Completion.</p> <p>All investments agreed under the Investment Agreement shall be completed within 5 years upon the Completion (which is expected to be no earlier than late 2025), by which certain financial information of the R&D Headquarters shall be no less than the target as specified in the Investment Agreement, including but not limited to the following:</p> <ul style="list-style-type: none">(i) the tax payable shall be no less than RMB30 million per year; and(ii) the revenue shall be no less than RMB2,000 million per year.

Support and subsidies to be provided by Lingang Committee:	Lingang Committee shall provide support and subsidies to Sprocomm Intelligence in accordance with the policies of the New Lingang Area, which include, among others, subsidies on R&D, loan discount, tax benefits, and etc., provided that Sprocomm Intelligence is eligible to such support and subsidies.
Undertakings by Sprocomm Intelligence:	<p>Sprocomm Intelligence undertakes that the business registration and the tax settlement of the R&D Headquarters shall be made under the New Lingang Area.</p> <p>Sprocomm Intelligence further undertakes that it will continuously operate in the New Lingang Area for more than five years, and in the event of Sprocomm Intelligence's failure to do so in the absence of good cause, it shall return all subsidies received by it.</p>

BASIS OF THE CONSIDERATION

The consideration of the Transaction was determined after arm's length negotiations between Sprocomm Intelligence and Lingang Committee with reference to terms and conditions of similar investment projects in the New Lingang Area and the expected costs for acquiring land and construction of buildings at comparable location, land use and construction area.

The investment of fixed assets in an amount of not less than RMB120 million by Sprocomm Intelligence is expected to comprise the costs for acquisition for land and capital expenditure relating to construction of land and buildings for the R&D Headquarters, which is to be funded by the working capital of Sprocomm Intelligence and external financing.

REASONS AND BENEFITS OF THE TRANSACTION

As disclosed in the 2019 Annual Report of the Company, the Group recorded a remarkable growth in sales of its IoT related products as compared to 2018. The Group successfully entered into a framework sales agreement with a high-tech digital technology company (a subsidiary of a micro financial company who operates a worldwide mobile and online payment platform) for product validation and supply of point of sales devices supported with facial recognition feature (face ID).

To ride on the success on the Group's R&D for facial recognition technology, the Group plans to devote more resources to enhance R&D on similar products and more IoT related products bearing similar functions, such as industrial-use cameras. The Group is also equipped with R&D capability for developing smart locks with global positioning system (GPS) function, automatic electricity meter readers and other commercially viable IoT products. Taking into account that the availability of R&D talents in Shanghai, favourable local policies of attracting new investments in New Lingang Area of PRC (Shanghai) Pilot Free Trade Zone including set-up supports, favourable tax rates and various subsidies, and expected increase in demand of IoT products, the management of the Group considers it would be beneficial for the Group to establish a R&D headquarters in New Lingang Area to consolidate and attract more talents to the Group to enhance its R&D capability for expanding its IoT related product portfolio.

By reason of the Transaction, there will be an increase in the amount of the fixed assets of the Group, which is expected to bring a positive impact on the credit rating of the Group as a result. In addition, the operation of the Group will be less prone to risks such as fluctuation of rental cost.

The Directors consider that the terms of the Investment Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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INFORMATION OF THE GROUP AND SPROCComm INTELLIGENCE

The Group is principally engaged in R&D, designing, manufacturing and sale of mobile phones and PCBAs for mobile phones and IoT related products to markets covering more than 15 countries worldwide.

Sprocomm Intelligence a subsidiary of the Group set up to focus on R&D and design of IoT related products.

INFORMATION OF LINGANG COMMITTEE

Lingang Committee is an agent of the Shanghai Municipal People's Government responsible for implementing policies in relation to the New Lingang Area, managing the New Lingang Area and supervising administrative matters in relation to the New Lingang Area.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Lingang Committee and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Sprocomm Intelligence Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Agreement”	the investment agreement dated 26 November 2020 entered into between Sprocomm Intelligence and Lingang Committee
“IoT”	acronym for internet of things, which is the inter-networking of physical devices, smart devices, and other items embedded with electronics, software, sensors, and network connectivity which enable these objects to collect and exchange data
“Lingang Committee”	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), further details of which are set out under the section headed “Information of Lingang Committee” in this announcement
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange
“New Lingang Area”	New Lingang Area of PRC (Shanghai) Pilot Free Trade Zone
“PCBA”	acronym for printed circuit board assembly
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement

“R&D”	research and development
“R&D Headquarters”	the smart device R&D headquarters to be set up by Sprocomm Intelligence at the New Lingang Area pursuant to the terms of the Investment Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sprocomm Intelligence”	Sprocomm Intelligence Technology Co., Ltd.* (禾苗智能科技有限公司), an enterprise established under the laws of the PRC, an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly
“Transaction”	the transaction contemplated under the Investment Agreement
“%”	per cent

For and on behalf of the Board
Sprocomm Intelligence Limited
Li Chengjun
Chairman

Hong Kong, 26 November 2020

The English translation of Chinese names or words in this announcement, where indicated by “”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.0000 = HK\$1.1810 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

As at the date of this announcement, the executive Directors are Mr. LI Chengjun, Mr. XIONG Bin, Mr. LI Hongxing 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.