INTRON TECHNOLOGY HOLDINGS LIMITED
英恒科技控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1760)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 AND CHANGE OF JOINT COMPANY SECRETARY

FINANCIAL HIGHLIGHTS

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*	Year-on-year Percentage change
Revenue breakdown:			
New Energy	**713,381**	353,274	102%
Body Control	**381,416**	349,912	9%
Safety	**362,366**	347,152	4%
Powertrain	**219,457**	183,935	19%
Industrial	**231,624**	140,443	65%
Rendering of Services & Others	**108,446**	98,768	10%
Total Revenue	**2,016,690**	1,473,484	37%
Gross profit	**449,800**	309,011	46%
Profit excluding Listing expenses for the year	**180,767**	129,335	40%
Profit for the year	**162,274**	122,379	33%
Profit attributable to owners of the parent	**162,274**	122,406	33%
Earnings per share *(RMB cents)* Basic and diluted	**18.41**	16.32	13%
Proposed final dividend per share *(HK cents)*	**5.50**		

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Intron Technology Holdings Limited (the "**Company**") is pleased to announce annual result and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Year**") together with selected explanatory notes and the relevant comparative figures for 2017.

In this announcement, "**we**", "**us**", "**our**" refer to the Company and where the context otherwise requires, the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

The operating environment was full of challenges for the year ended 31 December 2018. As automotive sales volume in the People's Republic of China (the "**PRC**") recorded decline starting from the second half of 2018, reversing its earlier uptrend, and the annual automotive sales volume retrogressed for the first time since 1990. Despite the difficult environment, the Group has delivered total revenue growth of 37% year-on-year, capitalising on the Group's competitive strengths and mainly driven by the year-on-year strong revenue growth of 102% in its New Energy Vehicle business. In addition, the Group's businesses from Body Control, Safety and Powertrain recorded 4% to 19% year-on-year growth, and the Industrial segment surged by 65%. During the Year, the Group's gross profit rose by 46% from the prior year. Profit for the year was 33% higher than last year. Net profit margin was 8.0%. Excluding one-off Listing expenses, profit for the year was 40% higher than a year ago, and net profit margin was 9.0%. In 2018, the Group continued to invest resources into Research and development ("**R&D**"), comprising 5.9% of total revenue for the Year, to ensure its leading presence in the field.

BUSINESS REVIEW

Although the overall PRC automotive market experienced negative growth in 2018, nonetheless the new energy vehicle market continued to grow rapidly. As a fast-growing automotive electronics solutions provider in the PRC, the Group's performance benefited from the accelerating growth of New Energy Vehicle business in the Year. Capitalising on its successful business model and industry-leading competitive strengths, the Group delivered remarkable performance that outperformed the overall market. For the year ended 31 December 2018, the Group's revenue climbed by 37% year-on-year to RMB2,016.7 million, and gross profit margin went up to 22.3%. Backed by the satisfactory revenue growth and improved cost structure, the Group's profit for the year amounted to RMB162.3 million, representing a gain of 33%.

The Group continued to deliver strong growth for its Industrial segment in 2018, which was mainly attributable to the rapid development of big data and cloud server market. During the Year, the segment's revenue increased by 65% from last year to RMB231.6 million.

During the Year, the Group's key customers continued to comprise automotive makers and brands that manufacture motors vehicles ("**OEMs**") in the PRC, including the top ten renowned Chinese new energy passenger vehicles brands, such as BYD and BAIC BJEV.

New Energy Vehicle Solutions

Segmental revenue from New Energy Vehicle Solutions amounted to RMB713.4 million, a substantial increase of 102% from last year. This segment remained as the Group's major growth driver. According to the figures published by the China Association of Automobile Manufacturers ("**CAAM**"), approximately 1.3 million new energy vehicles were sold in the PRC in 2018, 61.7% more than the year before. Being a leading major player in this segment, the Group's revenue from its New Energy Vehicle Solutions business continuously outperformed the industry in general.

Body Control, Safety and Powertrain Solutions

Amidst the challenging environment of domestic automotive market, the Group's businesses of Body Control, Safety and Powertrain solutions maintained steady growth during the Year. This is primarily due to the growing demand of automotive electronics solutions despite the declining conventional vehicle market during the Year. Meanwhile, due to the continuous pressure to optimise production costs, OEMs will continue to accelerate their localisation process, in which the Group provides value added solutions.

During the Year, the Group's Body Control, Safety and Powertrain businesses recorded growth of 9%, 4% and 19% respectively from the prior year.

Industrial Solutions

The Group's industrial-related application solutions business mainly includes power supply solutions designed for high-performance CPUs and graphics processors in cloud servers. In 2018, segmental revenue rose by 65% from last year to RMB231.6 million, mainly due to the business growth of cloud computing and big data service providers, generating high demand for the Group's quality product solutions.

In summary, as at 31 December 2018, the Group had provided 180 solutions to customers, representing an increase of 22 solutions compared to last year. Delivering high quality solutions has enabled the Group to stand out and gain market share and establish a leading presence in the field.

Since its establishment, R&D has been a key component of the Group's business model. The Group continued to devote major efforts to R&D investment during the Year. In order to provide timely professional technical services and to work closely with the OEMs, the Group has established R&D centres in Beijing, Changchun, Wuhan and Hangzhou in 2018, a step towards multi-location R&D facilities. The Group has also started on the R&D expansion project in Nanjing during the Year, and is planning to further expand its R&D facilities in Shanghai, Guangzhou, Chengdu, Wuhan and Chongqing in 2019. In 2018, the Group's R&D expenses rose by 60% year-on-year to RMB119.5 million, RMB44.8 million more than the previous year, accounted for 5.9% of annual revenue. As at 31 December 2018, the Group had 415 full-time R&D-related professionals, making up 65% of its total number of employees. As at 31 December 2018, the Group secured 49 patents and 89 software copyrights, increased by 12 and 20 respectively over last year.

Following its business development strategy, the Group is undergoing expansion plans to gradually extend its geographic reach. As at 31 December 2018, the Group has presences reaching 14 major cities in Greater China including Hong Kong, Shanghai, Beijing, Guangzhou, Shenzhen, Changchun, Xi'an, Nanjing, Hangzhou, Wuhan, Xiamen, Changsha, Chongqing and Chengdu. Other than R&D expansion, the Group expanded its facilities in Shanghai and Guangzhou during the Year.

Outlook

Although the PRC automotive industry has declined since the second half of 2018, CAAM forecasted similar total sales volume of 28.1 million units of automotive vehicles in 2019 compared to 2018 (source: "Forecast Report on China Automotive Market 2019 (2019年中國汽車市場預測報告)"). According to the report, the sales volume of new energy vehicles is expected to reach 1.6 million in 2019, representing a 27.4% increase year-on-year. Capitalising on the continuous market growth potential in this segment, the Group foresees its New Energy Vehicle Solutions will continue to be the growth driver for the Group's performance in 2019.

In addition to New Energy Vehicle Solutions, the Group positions advanced driver assistance system ("**ADAS**") as the next growth engine. The Group has increased R&D investment in this area, made progress in developing a variety of related products and working with customers to conduct quality and safety validation. The market demand for ADAS solutions is growing steadily and the Group expects to deliver revenue of its ADAS-related product solutions when OEMs start mass production in the coming future.

The Company's issued ordinary shares (the "**Shares**") have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 July 2018 (the "**Listing**"). The Listing has not only provided capital for business development, but also facilitated expansion into capital markets and enhanced the Group's reputation, thereby laying a solid foundation for its future business development.

Looking ahead, although the overall market environment will remain challenging, given its years of industry experience, substantial R&D investment and a sound business foundation, the Group will continue to deliver business growth and generate consistent returns for the shareholders of the Company.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, total revenue increased by 37% or RMB543.2 million from RMB1,473.5 million recorded last year to RMB2,016.7 million. The growth was mainly driven by the sales increase of the Group's solutions, in particular applications in the New Energy category.

The following table sets out the Group's revenue breakdown by product category during the indicated year.

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*	Increase
New Energy	**713,381**	353,274	102%
Body Control	**381,416**	349,912	9%
Safety	**362,366**	347,152	4%
Powertrain	**219,457**	183,935	19%
Industrial	**231,624**	140,443	65%
Rendering of Services & Others	**108,446**	98,768	10%
Total	**2,016,690**	1,473,484	37%

Gross Profit

Gross profit for the year ended 31 December 2018 increased by 46% year-on-year to RMB449.8 million, which was mainly due to the increase in revenue resulting from sales growth in product solutions, in particular applications in the New Energy category. The Group's overall gross profit margin for the year ended 31 December 2018 increased to 22.3%.

Other Income and Gains

The Group's other income and gains mainly included bank interest income, government grants and others. For the year ended 31 December 2018, other income and gains increased by 31% to RMB20.6 million. Among which, government grants increased by RMB6.2 million when compared to last year which offset part of the impact of the absence of net exchange gains during the Year.

Sales and Distribution Expenses

Sales and distribution expenses mainly consist of salaries and benefits for staff, transportation and insurance costs, maintenance and repair expenses, travelling expenses, office utility expenses, business entertainment and marketing expenses and depreciation costs. During the Year, the Group's sales and distribution expenses amounted to RMB46.3 million, an increase of 37% or RMB12.5 million when compared with 2017, in line with revenue growth of 37%.

Administrative Expenses

Administrative expenses mainly consist of (a) R&D expenses and (b) other administration expenses including salaries and benefits for the management, administrative and financial personnel, administrative costs, depreciation expenses relating to property, plant and equipment used for administrative purposes, amortisation expenses for the management information system, other taxes and levies, and the Listing expenses.

During the Year, administrative expenses amounted to RMB199.7 million, representing an increase of 59% year-on-year. Among which, (a) R&D expenses increased by 60% to RMB119.5 million, which was mainly attributable to the increase in headcount of the R&D team from 230 in last year to 415; and (b) Other administrative expenses increased by 58% due to the Listing expenses of RMB18.5 million generated in 2018, a rise in salary expenses of RMB9.4 million as a result of an increase in staff headcount and a surge in rentals of newly-added facilities of RMB2.5 million.

The Group continued to invest in its R&D for future business development, total R&D expenses in 2018 reached 5.9% of total revenue, compared to 5.1% in 2017. Other than R&D expenses and one-off Listing expenses, increase in other additional administrative expenses in 2018 are in the similar proportion with the revenue growth during the Year.

Other Expenses

Other expenses mainly consist of net exchange losses. These expenses increased 42% to RMB15.2 million during the Year. Other expenses mainly constituted net exchange losses, while in 2017, the Group incurred losses on investment and disposal of derivative financial instruments and loss on disposal of a subsidiary.

Finance Costs

During the Year, finance costs amounted to RMB26.3 million, representing an increase of 69% when compared with 2017. The increase was mainly due to the increase in trade financing to support business growth.

Income Tax Expense

During the Year, income tax expense was RMB20.7 million, a growth of 22% year-on-year. Effective tax rate in 2018 was lower than 2017 due to the PRC policy allowing additional tax deduction for R&D expenses.

Profit for the Year

As a result of the above factors, the Group's profit for the Year increased by 33% from RMB122.4 million recorded for the year ended 31 December 2017 to RMB162.3 million for the year ended 31 December 2018. Without considering one-off Listing expenses, the Group's profit for the Year increased by 40% when compared with last year.

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2018, but represents an extract from the consolidated financial statements for the year ended 31 December 2018 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the Audit Committee and approved by the Board.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group maintained a satisfactory liquidity position supporting business growth. As at 31 December 2018, the Group had cash and cash equivalents of RMB625.7 million (31 December 2017: RMB92.3 million).

The Group recorded net current assets of RMB1,080.3 million (31 December 2017: RMB388.8 million). Capital expenditure for the Year was RMB27.3 million, which was mainly used for purchasing equipment for R&D.

As at 31 December 2018, the gearing ratio of the Group was 13% (31 December 2017: 48%), which represents net debt divided by the total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals, less cash and cash equivalents and pledged deposits.

The Group increased its bank loans mainly for securing capital for its business development. At as 31 December 2018, the Group had bank loans amounting to RMB374.7 million.

The annual effective interest rate of the bank and other borrowings during the Year ranged from 3.5% to 5.2% (2017: 3.0% to 5.4%).

USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing (including the partial exercise of over-allotment option) of HK$766.7 million (equivalent to approximately RMB655.4 million), after deducting the underwriting fees, commissions and expenses payable by us have been and will be utilized in that same manner, proportion and the expected timeframe as set out in the prospectus of the Company dated 29 June 2018 (the "**Prospectus**") under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2018:

Use of proceeds	**Planned applications** *(RMB million)*	**Percentage of total net proceeds** *(%)*	**Actual usage up to 31 December 2018** *(RMB million)*	**Unutilized net proceeds as at 31 December 2018** *(RMB million)*
1. For the expansion of R&D capabilities	196.6	30	27.1	169.5
2. For the enhancement of R&D infrastructure	196.6	30	18.6	178.0
3. For the acquisitions of R&D capabilities	196.6	30	5.0 *(Note 1)*	191.6
4. General working capital	65.6	10	65.6	0
Total	655.4	100	116.3	539.1

Note:

1. On 28 December 2018, the Group acquired 100% equity interest in Wuxi Maxdone Electronics Technology Company Limited (無錫麥道電子科技有限公司) ("**Wuxi Maxdone**") from an independent third party at a total consideration of RMB5 million (the "**Acquisition**"). Wuxi Maxdone is engaged in the R&D and related business on embedded control electronics products and devices. The Acquisition was made as part of the Group's strategy to strengthen its service platform in the PRC. As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition were below 5%, the Acquisition was not a notifiable transaction under Chapter 14 of the Listing Rules.

CAPITAL COMMITMENT

As at 31 December 2018, the Group had capital commitments contracted, but not provided for, amounting to RMB12.3 million (31 December 2017: RMB1.6 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for those in relation to the Reorganisation set out in the section headed "Reorganisation" of the Prospectus, the Group did not have any other material investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group primarily operates in the PRC with a mixed currency revenue source. It is therefore exposed to foreign currency risk arising from fluctuations in exchange rates between RMB and other currencies in which it conducts its business. The Group is subject to foreign currency risk attributable to its bank balances, trade and other receivables and payables as well as bank loans that are denominated in currencies other than RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. The Group also mitigates loss caused by foreign exchange fluctuations through cost transfer by adjusting prices offered to customers and considers entering into supplemental foreign exchange forward contracts when necessary.

During the Year, the Group entered into a few foreign exchange forward contracts to hedge related risk. The Group will closely monitor the change in foreign exchange rates to manage currency risks and evaluate necessary actions as required.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 640 employees (31 December 2017: 375 employees). The Group's labour costs (including salaries, bonuses, pension and welfare but excluding directors' and co-chief executives' remuneration) were RMB120.5 million, accounting for 6.0% of its revenue in the Year.

The Group provides attractive salary packages, including competitive basic salary plus annual performance bonus, as well as arranging on-going special training to employees to facilitate their promotion within the organisation and enhance their loyalty to the Company. The Group's employees are subject to regular work performance appraisal to evaluate their promotion prospects and salary. The latter is decided with reference to market practice and the performance, qualifications and experience of the individual employee as well as the results of the Group.

As at 31 December 2018, the Group had not issued or allotted any awarded shares. On 21 January 2019, the Group announced the grant of share options to eligible employees under the share option scheme adopted on 22 June 2018 to enhance the attractiveness of the Company's salary packages as well as motivate employees to deliver better performance.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the Corporate Governance code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The CG Code has been applicable to the Company with effect from 12 July 2018 (the "**Listing Date**") and was not applicable to the Company during the period from 1 January 2018 to 11 July 2018.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code since the Listing Date up till 31 December 2018, except for a deviation from the code provision A.2.1 of the CG Code that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr Luk Wing Ming is our Chairman and co-CEO responsible for strategic development and business operations. Our Board believes that this arrangement will improve the efficiency of our decision making and execution process. Further, the Group has put in place an appropriate check-and-balance mechanism through the Board and the independent non-executive Directors. In light of the above, our Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in the circumstance of the Group.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted written guidelines (the "**Written Guidelines**") on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code for securities transactions by the Directors.

As the Shares were listed on the Stock Exchange on 12 July 2018, the Model Code and Written Guidelines were not applicable to the Company during the period from 1 January 2018 to 11 July 2018.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the period from the Listing Date to the date of this announcement. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Tsui Yung Kwok, Mr. Jiang Yongwei and Mr. Yu Hong. The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group, the annual results and the consolidated financial statements for the year ended 31 December 2018. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting ("**2019 AGM**") will be held on Friday, 31 May 2019. A notice convening the 2019 AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$ cents: 5.5 per share for the year ended 31 December 2018 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 13 June 2019. Subject to the approval by the shareholders at the forth coming AGM to be held on Friday, 31 May 2019, the proposed final dividend is expected to be paid on or about Friday, 5 July 2019.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The Register of Members will be closed during the following periods and during these periods, no transfer of shares will be registered:

(a) For Determining the Entitlement to Attend and Vote at the 2019 AGM

For the purpose of determining the shareholders' entitlement to attend and vote at the 2019 AGM, the Register of Members will be closed from 28 May 2019 (Tuesday) to 31 May 2019 (Friday), both dates inclusive.

To ensure that shareholders are entitled to attend and vote at the 2019 AGM, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 May 2019.

(b) For Determining the Entitlement to the Proposed Final Dividend

For determining the entitlement to the proposed final dividend subject to the approval by Shareholders at the AGM, the register of members of the Company will be closed from 6 June 2019 (Thursday) to 13 June 2019 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend for the year ended 31 December 2018, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 5 June 2019.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares being held by the public.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.intron-tech.com). The annual report for the year ended 31 December 2018 will be dispatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

EVENTS AFTER THE REPORTING PERIOD

On 21 January 2019, 30,678,600 share options were granted to eligible participants of the Company, under the share option scheme adopted by the Company on 22 June 2018. The share options granted shall vest in the grantees in accordance with the timetable, each with an exercise period commencing from the relevant share option vesting date and ending on 31 December 2025.

CHANGE OF JOINT COMPANY SECRETARY

Mr. Ng Ming Chee ("**Mr. Ng**") resigned as the joint company secretary of the Company with effect from 25 March 2019 but will continue his role as executive Director and chief financial officer of the Company and Ms. Tsang Chi Ka ("**Ms. Tsang**") has been appointed as the joint company secretary of the Company in replacement of Mr. Ng.

Mr. Ng has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or Stock Exchange.

Ms. Tsang joined the Company as assistant to general manager in January 2016. Ms. Tsang holds a Bachelor's degree in Science from University of Sydney, Master of Risk Management degree from University of New South Wales and Master of Corporate Governance degree from Open University of Hong Kong. Ms. Tsang is an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	4	**2,016,690**	1,473,484
Cost of sales		**(1,566,890)**	(1,164,473)
Gross profit		**449,800**	309,011
Other income and gains	4	**20,601**	15,750
Selling and distribution expenses		**(46,294)**	(33,813)
Administrative expenses		**(199,696)**	(125,483)
Other expenses		**(15,223)**	(10,698)
Finance costs		**(26,254)**	(15,562)
Share of profit of an associate		**–**	64
PROFIT BEFORE TAX	5	**182,934**	139,269
Income tax expense	6	**(20,660)**	(16,890)
PROFIT FOR THE YEAR		**162,274**	122,379
Attributable to:			
Owners of the parent		**162,274**	122,406
Non-controlling interests		**–**	(27)
		162,274	122,379
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	8	**RMB18.41 cents**	RMB16.32 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**162,274**	122,379
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**5,973**	(8,290)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**5,973**	(8,290)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**17,332**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**17,332**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**23,305**	(8,290)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**185,579**	114,089
Attributable to:		
Owners of the parent	**185,579**	114,116
Non-controlling interests	**–**	(27)
	185,579	114,089

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**37,022**	17,843
Other intangible assets		**13,957**	14,889
Deferred tax assets		**9,605**	6,780
Advance payments for property, plant and equipment		**4,248**	2,733
Total non-current assets		**64,832**	42,245
CURRENT ASSETS			
Inventories		**464,234**	287,661
Trade and notes receivables	*9*	**723,395**	507,538
Prepayments, other receivables and other assets		**63,446**	9,042
Available-for-sale investments		**–**	2,000
Pledged deposits		**31,031**	18,252
Cash and cash equivalents		**625,718**	92,252
Total current assets		**1,907,824**	916,745
CURRENT LIABILITIES			
Trade payables	*10*	**171,502**	174,829
Other payables and accruals		**275,105**	159,512
Derivative financial instruments		**191**	–
Interest-bearing bank and other loans		**374,727**	168,929
Tax payable		**5,530**	23,341
Government grants		**456**	1,366
Total current liabilities		**827,511**	527,977
NET CURRENT ASSETS		**1,080,313**	388,768
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,145,145**	431,013
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans		**–**	360
Government grants		**2,407**	2,463
Total non-current liabilities		**2,407**	2,823
Net assets		**1,142,738**	428,190
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**8,816**	–
Reserves		**1,133,922**	428,190
Total equity		**1,142,738**	428,190

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial information relating to the year ended 31 December 2018 and 2017 included in this preliminary announcement of annual results 2018 does not constitute Intron Technology Holdings Limited ("**the Company**") and its subsidiaries' (collectively referred to as "**the Group**") statutory annual consolidated statements for those years but is derived from those financial statements.

To rationalise the corporate structure in preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent a group reorganization (the "Reorganization"), further details of which are set out in the Company's prospectus dated 29 June 2018. Pursuant to the Reorganization, the Company became the holding company of the companies now comprising the Group on 22 February 2018. As the Reorganization only involved acquisitions of companies under the common control of the controlling shareholders before and after the Reorganization, the consolidated financial statements for the year ended 31 December 2017 have been presented by applying the principles of merger accounting. Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 have been prepared as if the current group structure had been in existence throughout that year. The consolidated statement of financial position as at 31 December 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at that date.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 2, amendments to HKFRS 4, amendments to HKAS 40 and Annual Improvements 2014-2016 cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRS are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

(a) Classification and measurement

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement					HKFRS 9 measurement	
	Notes	Category	Amount RMB'000	Re-classification RMB'000	ECL RMB'000	Other RMB'000	Amount RMB'000	Category RMB'000
Financial assets								
Available-for-sale investments		AFS[2]	2,000	(2,000)	–	–	–	N/A
To: Financial assets at fair value through profit or loss	*(i)*			(2,000)	–	–	–	
Notes receivable	*(ii)*	L&R[3]	76,043	–	–	–	76,043	FVOCI[1]
To: Notes receivable(FVOCI) – Financial assets at fair value through other comprehensive income				(76,043)	–	–	76,043	
Trade receivables	*(iii)*	L&R	428,482	–	(758)	–	427,724	AC[4]
Financial assets included in prepayments, other receivables and other assets		L&R	3,678	–	–	–	3,678	AC
Financial assets at fair value through profit or loss		N/A	–	2,000	–	–	2,000	FVPL[5] (mandatory)
From: Available-for-sale investments	*(i)*			2,000	–	–	–	
Pledged deposits		L&R	18,252	–	–	–	18,252	AC
Other assets		N/A	–	–	–	105	105	N/A
Cash and cash equivalents		L&R	92,252	–	–	–	92,252	AC
Total assets			620,707	–	(758)	105	620,054	
Financial liabilities								
Trade payables		AC	174,829	–	–	–	174,829	AC
Financial liabilities included in other payables and accruals		AC	95,397	–	–	–	95,397	AC
Interest-bearing bank and other borrowings		AC	169,289	–	–	–	169,289	AC
Total liabilities			439,515	–	–	–	439,515	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(ii) The Group has classified its notes receivable previously classified as loans and receivables as financial assets measured at fair value through other comprehensive income as these notes receivables are held within a business model with the objective of both holding to collect contractual cash flows and selling, and the contractual terms of the notes receivable give rise on specified dates to cash flows that are solely payments of principal.

(iii) The gross carrying amounts of the trade receivables under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2(b) to the financial statements.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	734	758	1,492

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits
	RMB'000
Balance as at 31 December 2017 under HKAS39	405,478
Recognition of expected credit losses for trade receivables under HKFRS9	(758)
Deferred tax in relation to above	105
Balance as at 1 January 2018 under HKFRS9	404,825

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 4 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/(decrease)** *RMB'000*
Assets		
Inventories	*(i)*	1,545
Trade receivables	*(i)*	(3,013)
Deferred tax assets	*(iii)*	220
Total assets		(1,248)
Liabilities	*(ii)*	
Contract liabilities		5,930
Advances from customers	*(ii)*	(5,930)
Total liabilities		–
Equity		
Retained profit	*(i)(iii)*	(1,248)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
		HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*(i)*	2,016,690	2,020,864	(4,174)
Cost of sales	*(i)*	(1,566,890)	(1,566,516)	374
Gross profit		449,800	454,348	(4,548)
Profit before tax		182,934	187,482	(4,548)
Income tax expense	*(iii)*	(20,660)	(21,342)	(682)
Profit for the year		162,274	166,140	(3,866)
Attributable to:				
Owners of the parent	*(iii)*	162,274	166,140	(3,866)
Earnings per share attributable to ordinary equity holders of the parent				
– Basic and diluted		RMB 18.41 cents	RMB 18.85 cents	RMB (0.44) cents

Consolidated statement of financial position at 31 December 2018:

		Amounts prepared under		
		HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Inventories	*(i)*	464,234	463,062	1,172
Trade receivables	*(i)*	723,395	731,014	(7,619)
Deferred tax assets		9,605	8,702	903
Total assets		1,972,656	1,978,200	(5,544)
Other payables and accruals	*(i),(ii)*	275,105	275,535	(430)
Total liabilities		829,918	830,348	(430)
Net assets		1,142,738	1,147,852	(5,114)
Retained profits		421,505	426,619	(5,114)
Total equity		1,142,738	1,147,852	(5,114)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) ***Consulting services***

Contract revenue on the rendering of consulting services comprises the agreed contract amount. Costs of consulting services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Before the adoption of HKFRS 15, revenue from the rendering of consulting services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Upon adoption HKFRS 15, revenue from the Group's contracts with customers for the rendering of consulting services will be recognised at the point in time when the control of the service is transferred to the customer. The timing of the amount of revenue recognised in relation to this service is later as compared to current practice.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in trade receivables of RMB7,619,000, a decrease in other payable and accruals of RMB430,000, a decrease in revenue of RMB4,174,000 and an increase in cost of sales of RMB374,000.

(ii) ***Consideration received from customers in advance***

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB5,930,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB7,300,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of products and the provision of consulting services.

(iii) ***Other adjustments***

In addition to the adjustments described above, other items of the primary financial statements such as tax were adjusted as necessary. Retained profits were adjusted accordingly.

(c) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
Hong Kong	**29,406**	30,644
Mainland China	**1,976,330**	1,441,915
Other countries	**10,954**	925
	2,016,690	1,473,484

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018	2017
	RMB'000	*RMB'000*
Hong Kong	**7,490**	2,722
Mainland China	**47,737**	32,743
	55,227	35,465

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the reporting periods during the year is set out below:

	2018	2017
	RMB'000	*RMB'000*
Customer 1	**263,182**	N/A
Customer 2	**206,763**	N/A
	469,945	N/A

During the year ended 31 December 2017, no revenue from a single customer accounted for 10% or more of the total revenue of the Group.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of products	**1,996,758**	1,450,886
Rendering of consulting services	**19,932**	22,598
	2,016,690	1,473,484

<u>Revenue from contracts with customers</u>

(i) Disaggregation of revenue

For the year ended 31 December 2018

Timing of revenue recognition

	RMB'000
At a point in time	
– Sale of products	1,996,758
– Rendering of consulting services	19,932
Total revenue from contracts with customers	2,016,690

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sales of products	**1,072**
Rendering of consulting services	**4,858**
	5,930

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Consulting services

The performance obligation which is satisfied on a time as services are rendered and short-term advances are normally required before rendering the services. Consulting service contracts are for periods of one year or more, or are billed based on the time incurred.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	1,131,266

The remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2018 ***RMB'000***	2017 *RMB'000*
Other income		
Government grants *(note a)*	**11,756**	5,569
Bank interest income	**4,755**	198
Investment income from financial assets at fair value through profit or loss/available-for-sale investments	**50**	48
Commission income	**2,550**	–
Others	**929**	146
	20,040	5,961
Gains		
Foreign exchange gains, net	**–**	9,772
Gain on bargain purchase	**79**	–
Fair value gains, net:		
Derivative instruments/transaction not qualifying as hedges	**316**	–
Gain on disposal of items of property, plant and equipment	**166**	17
	561	9,789
	20,601	15,750

Note:

(a) The amount represents grants received by the subsidiaries of the Company from the local government where they reside. There are no unfulfilled conditions and other contingencies relating to these grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Cost of inventories sold		**1,557,111**	1,153,657
Cost of services provided		**9,779**	10,816
Depreciation		**9,474**	6,231
Amortisation of other intangible assets*		**4,362**	4,226
Research and development costs		**119,546**	74,710
Minimum lease payments under operating leases		**13,138**	9,026
Share issue expenses		**18,493**	6,956
Auditor's remuneration		**1,757**	725
Employee benefit expense (excluding directors' and co-chief executives' remuneration):			
Wages and salaries		**111,632**	75,842
Pension scheme contributions		**7,288**	7,288
Staff welfare expenses		**1,614**	2,240
		120,534	85,370
Foreign exchange losses/(gains), net		**14,087**	(9,772)
Reversal of impairment of trade receivables		**(78)**	(54)
Reversal of impairment of other receivables		**–**	(9)
Write-down/(reversal of write-down) of inventories to net realisable value**		**2,650**	(1,207)
Fair value (gains)/losses, net:			
Derivative instruments – transactions not qualifying as hedges	*4*	**(316)**	7,878
Investment income from financial assets at fair value through profit or loss/available-for-sale investments	*4*	**(50)**	(48)
Bank interest income	*4*	**(4,755)**	(198)
Government grants	*4*	**(11,756)**	(5,569)
Gain on disposal of items of property, plant and equipment	*4*	**(166)**	(17)
Loss on disposal of subsidiaries		**–**	2,819
Gain on bargain purchase***	*4*	**(79)**	–

* *The amortisation of other intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.*

** *Write-down/(reversal of write-down) of inventories to net realisable value is included in "cost of sales" in the consolidated statement of profit or loss.*

*** *Gain on bargain purchase is included in "Other income and gains" in the consolidated statement of profit or loss.*

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2017:16.5%) on the estimated assessable profits arising in Hong Kong during the year. Hong Kong charges 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

Shanghai Intron and Shanghai G-Pulse Electronics Technology Company Limited subsidiaries of the Group, are qualified as High and New Technology Enterprises and were subject to a preferential income tax rate of 15% (2017:15%) during the year. Intron Intelligent Technology (Shanghai) Company Limited, a subsidiary of the Group, is qualified as small and micro enterprise and was subject to a preferential tax rate of 10% during the year.

Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018	2017
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**8,414**	8,735
Current – Hong Kong		
Charge for the year	**14,766**	10,359
Deferred tax	**(2,520)**	(2,204)
Total tax charge for the year	**20,660**	16,890

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**182,934**	139,269
Tax at the statutory income tax rate of 25%	**45,733**	34,817
Effect of tax rate differences in other jurisdictions	**(6,196)**	(5,029)
Preferential income tax rates applicable to certain subsidiaries	**(3,772)**	(3,801)
Additional deduction allowance for research and development costs	**(18,074)**	(8,332)
Expenses not deductible for tax	**2,330**	1,026
Income not subject to tax	**(5)**	(17)
Tax losses utilised from previous years	**–**	(651)
Tax losses not recognised	**644**	442
Recognition of tax losses from previous years	**–**	(1,565)
Tax charge at the Group's effective rate	**20,660**	16,890

7. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Ordinary:		
Proposal final – HK5.5 cents (2017: Nil) per ordinary share	**56,979**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 18 January 2018, Intron HK declared and approved a dividend of USD6,200,000(equivalent to RMB39,929,000) to the then shareholders. On 25 January 2018, Shanghai Intron declared and approved a dividend of RMB100,000,000 to the then shareholders.

On 3 June 2017, Intron HK declared and approved a dividend of US$3,860,000 (equivalent to RMB26,238,000) to the then shareholders.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 881,321,000 (2017: 750,000,000) in issue during the year, and assuming the capitalisation issue had been completed on 1 January 2017, as further detailed in note 11 to financial statements.

The calculations of the basic and diluted earnings per share are based on:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**162,274**	122,406

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**881,321,000**	750,000,000

The Group had no potentially diluted ordinary shares in issue during the year ended 31 December 2018 and 2017.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2017 included 200 ordinary shares, and 749,999,800 shares in connection with the capitalisation issue, which were deemed to have been issued as of the beginning of the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended December 2018 included the weighted average of 250,000,000 and 35,975,000 ordinary shares issued in connection with the Company's initial public offering and over-allotment, respectively and aforesaid 750,000,000 ordinary shares.

No adjustment has been made to the basic earnings per share amount for the years ended December 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

9. TRADE AND NOTES RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**564,744**	432,229
Notes receivable	**160,065**	76,043
	724,809	508,272
Impairment	**(1,414)**	(734)
	723,395	507,538

The Group's trading terms with its customers are mainly on credit. The credit period is generally within three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

Included in the Group's trade and notes receivables are amounts due from the Group's related parties of RMB21,796,000 as at 31 December 2018 (2017: RMB17,794,000), which are repayable on credit terms similar to those offered to the other customers of the Group.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Less than 3 months	**501,426**	419,420
3 to 6 months	**56,149**	7,846
6 to 12 months	**4,079**	1,271
1 to 2 years	**1,550**	2,316
Over 2 years	**126**	642
	563,330	431,495

The Group's trade receivables, amounting to approximately RMB13,621,000 were pledged to secure the bank loans as at 31 December 2018 (2017: RMB75,831,000).

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Less than 3 months	**156,952**	160,894
3 to 6 months	**11,753**	13,565
6 to 12 months	**2,719**	357
1 to 2 years	**65**	13
Over 2 years	**13**	–
	171,502	174,829

Included in the trade payables are trade payables of RMB349,000 (2017: RMB8,000), which were repayable within 30 days due to a related party, which represents credit terms similar to those offered by the related parties to their major customers.

The trade payables are non-interest-bearing and are normally settled within three months.

11. SHARE CAPITAL

Shares

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
2,400,000,000 (2017: 38,000,000) ordinary shares of HK$0.01 each	**24,000**	380

	2018	2017
	RMB'000	*RMB'000*
Issued and fully paid:		
1,035,975,000 (2017: 200) ordinary shares of HK$0.01 each	**8,816**	–

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue**	**Share capital** *RMB'000*
At 3 January 2017 (date of incorporation) and 1 January 2018	*(a)*	200	–
Capitalisation issue of shares	*(b)*	749,999,800	6,376
Issuance of shares on 12 July 2018	*(c)*	250,000,000	2,126
Over-allotment on 1 August 2018	*(d)*	35,975,000	314
At 31 December 2018		1,035,975,000	8,816

Notes:

(a) On 3 January 2017, one share was allotted and issued as fully-paid and at par to Kevin Butler, the initial subscriber and an independent third party. On the same day, the said one Share was transferred to Heroic Mind. On the same day, an additional 100 and 99 Shares were allotted and issued as fully-paid and at par to Treasure Map and Heroic Mind, respectively.

(b) On 22 January 2018, an additional 700 and 100 Shares were allotted and issued, as fully-paid and at par, to Magnate Era and Zenith Benefit, respectively. And on 22 June 2018, 749,999,000 ordinary shares of HK$0.01 each were allotted and issued, credits as fully paid at par, by way of capitalisation from the capital reserve account to the holders of shares whose names appear on the register of members of the Company at the close of business on 12 July 2018 in proportion to their respective shareholdings.

(c) In connection with the Company's initial public offering, 250,000,000 ordinary shares of HK$2.90 each were issued at HK$0.01 per share for a total cash consideration, before expenses, of HK$725,000,000.

(d) In connection with the Company's over-allotment, 35,975,000 additional shares were allotted at HK$2.90 each and issued at HK$0.01 per share, for a total cash consideration, before expenses, of HK$104,327,500.

12. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2019, 30,678,600 share options were granted to eligible participants of the Company, under the share option scheme adopted by the Company on 22 June 2018. The share options granted shall vest in the Grantees in accordance with the timetable, each with an exercise period commencing from the relevant share option vesting date and ending on 31 December 2025.

By order of the board of directors of
Intron Technology Holdings Limited
Luk Wing Ming
Chairman and executive Director

Hong Kong, 25 March 2019

As at the date of this announcement, the executive Directors are Mr. Luk Wing Ming, Mr. Chan Cheung Ngai, Mr. Chan Ming, Mr. Ng Ming Chee, and the independent non-executive Directors are Mr. Jiang Yongwei, Mr. Yu Hong and Mr. Tsui Yung Kwok.