intron
英恒

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND CHANGE OF JOINT COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

FINANCIAL HIGHLIGHTS
(RMB in thousands, unless specified)

	Unaudited Six months ended 30 June 2019	30 June 2018	Year-on-Year change
Financial Figures			
Revenue Breakdown:			
New Energy	**575,351**	227,186	153%
Body Control	**144,533**	188,615	-23%
Safety	**146,118**	191,826	-24%
Powertrain	**96,440**	111,114	-13%
Industrial	**82,205**	101,419	-19%
Rendering of Services & Others	**46,821**	55,676	-16%
Total Revenue	**1,091,468**	875,836	25%
Gross Profit	**236,109**	184,954	28%
Net Profit	**62,820**	69,049	-9%
Earnings per share *(RMB cents)*			
– Basic	**6.1**	9.2	-34%
– Diluted	**6.0**	9.2	-35%
			% point of change
Financial Ratios (% of Total Revenue)			
Gross Profit	**21.6%**	21.1%	0.5
Research and Development Costs	**7.4%**	5.4%	2.0
Net Profit	**5.8%**	7.9%	-2.1

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Intron Technology Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Period**" or "**Period under review**") together with selected explanatory notes and the relevant comparative figures for the corresponding period in 2018.

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

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In the first half of 2019 (the "**Year**"), despite negative performance of the overall automotive industry of the People's Republic of China (the "**PRC**"), the Group was able to deliver continual business growth thriving on its robust development in new energy vehicle ("**NEV**") revenue segment. This is achieved through years of experience and leadership in providing automotive electronic solutions especially in the NEV market.

According to the data published by the China Association of Automobile Manufacturers ("**CAAM**"), the production and sales of automotive vehicles in the PRC for the first half of 2019 amounted to 12.13 million units and 12.32 million units, respectively, representing decreases of 13.7% and 12.4% from the corresponding period of last year. Within the weak market performance, the overall sales of domestic brands recorded a more severe decrease of 21.7% as a result of destocking situation. However, the NEV segment recorded a positive growth of 49.6%. The overall weak market performance was influenced by the slower macroeconomic conditions, suppressed consumer confidence and a relatively higher base factor for the same period last year. Under such harsh business environment, the Group delivered a better-than-market performance of 25% overall revenue growth (NEV revenue growth of 153%) with a gross margin of 21.6%. The Group continued to invest in research and development ("**R&D**"), its cornerstone of success, where such investment increased to a higher level of 7.4% of total revenue compared to 5.4% in the same period last year. As a result, the Group's net profit margin for the Period was 5.8% after the interim higher R&D investment.

BUSINESS REVIEW

The automotive industry of the PRC remained weak in the first half of 2019, which represented the continuance of the downward trend that started in the second half of 2018. Nevertheless, the NEV market continued to have its rapid growth. According to CAAM, sales volume of NEVs grew by 49.6% during the Period under review to reach 617,000 units.

As a fast-growing automotive electronics solutions provider in the PRC, for the Period under review, the Group reported sales revenue of RMB1,091.5 million, an increase of 25% year on year, contributed mainly from the satisfactory performance of the New Energy Vehicle Solutions revenue segment. During the Period under review, the Group stepped up its investment in R&D, especially the NEV sector and the Advanced Driver-assistance System ("**ADAS**") sector, to capture market share.

During the Period under review, 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 the New Energy Vehicle Solutions amounted to RMB575.4 million, representing a substantial increase of 153% from the corresponding period of last year. This segment remained as the Group's major growth driver, accounting for more than 50% of the total revenue during the Period. The Group expects its new energy related business to continue its growth momentum. As the NEV market in the PRC continues to grow at high pace, the Group, as a leading player in the industry, will see sustainable business performance in its New Energy Vehicle Solutions segment that outperforms the market in general.

During the Period, the Group continued to enter into projects of joint development with renowned automotive brands in the PRC, which is expected to further consolidate the Group's leading position in the market. In addition, some NEV related projects are expected to enter into mass production from next year onwards, which enables the Group to further increase its market penetration.

Body Control, Safety and Powertrain Solutions

Amidst the weak overall performance of the Chinese domestic brand automotive market, the Group's businesses of Body Control, Safety and Powertrain Solutions reported decrease of 23%, 24% and 13%, respectively, which were in line with the general market condition. Nevertheless, the Group believes that market demand for the Group's value-added solutions will increase in future with rising demand for automotive electronics solutions as well as the accelerating localisation of vehicle production process.

Industrial Solutions

The Group's industrial-related application solutions business mainly includes smart power management solutions designed for high-performance CPUs and graphics processors in cloud servers. During the Period under review, in line with market condition, revenue from the Group's Industrial Solutions segment decreased by 19% to RMB82.2 million as global enterprises became more prudent in their investments in data centres and cloud servers.

In summary, for the Period under review, the Group reported a better-than-market revenue growth of 25% year-on-year. The Group had provided 174 solutions to customers, higher than the same period last year. Delivering comprehensive solutions has enabled the Group to stand out among its industry peers, gain market share and command a leading presence in the field.

Research and Development

With its R&D strategies focusing on New Energy and ADAS, the Group is optimistic on its future market development notwithstanding the market challenges ahead. During the Period under review, the Group continued to strengthen its R&D capabilities by increasing its R&D expenses by 71% year-on-year to RMB80.3 million. As a percentage of revenue, R&D investment has increased to 7.4%, compared to 5.4% for the same period last year. As at 30 June 2019, the Group had 509 full-time R&D-related professionals, making up 66% of its total employees. The Group had also secured 58 patents and 98 software copyrights, an increase of 12 patents and 21 software copyrights respectively over the corresponding period of last year.

The Group continued to extend its market coverage building on its principle of "staying close to customers with multi-location R&D facilities". Apart from the continual expansion of its R&D facilities in Nanjing, Shanghai, Chengdu and Wuhan, the Group has earmarked to build a self-sufficient large-scale R&D Testing and Validation Centre in Shanghai that specialised on the R&D, testing and validation of automotive components in support of electrification and intelligent development of automotive vehicles. In July 2019, the Group had acquired a property with a gross floor area of 3,820.98 square meter (the "**Property**") in Shanghai at approximately RMB55.0 million for this purpose. The Property will accommodate a number of laboratories, equipped with industry-leading equipment and facilities to strengthen the Group's R&D capabilities to facilitate mass production in addition to testing and validation functions. This will further solidify the implementation of the Group's strategy and deepen its ability to support its customer and on market penetration. Furthermore, the Group has commenced operation in Taipei providing technical support to industrial business segment on R&D and sales. Meanwhile, the Group will also setup office in Germany in the second half of the Year to strengthen cooperation with local enterprises and institutions.

The Group has continued to explore cooperation opportunities with overseas enterprises and institutions. During the Period, the Group has extended business cooperation with various global business partners. This include German-based CONTACT Software for upgrading R&D technology platform; the renowned German-based Karlsruhe Institute of Technology for jointly developing the functional safety and information security of automotive multi-core software system; a provider of embedded software development solutions in Germany, Hitex GmbH, for jointly fostering technological development in automotive embedded functional safety; and Wind River Systems, a global leader in OS software in embedded software for intelligent connected systems, for jointly improving the ecosystem of intelligent connected vehicles.

Outlook

Although the PRC automotive market had experienced corrections since last year, the Group remains optimistic about the long-term prospects of the industry. The NEV segment, in particular, is expected to grow rapidly under the support of PRC national policies.

The Group enjoys first-mover advantage with its pioneering efforts in the NEV segment. For many years, this segment has outperformed the market. Having sound relationships with leading new energy automotive brands in the PRC, the Group will continue to work with its customers to further develop cutting-edge solutions and drive continual business growth.

In addition, the Group is pursuing ongoing technological development in relation to ADAS, and sees ADAS as the next key opportunity for the automotive market. The Group has already invested in R&D to develop relevant solutions, and some has begun quality testing and validation with its customers. The Group cooperates with a number of global leading research enterprises and institutions to attain world leading technology. Mass production in relation to ADAS technology is expected to launch in 2021, and this will be the key growth driver for the Group by then.

For Industrial Solutions segment, albeit the corrections and market uncertainties in the first half of the Year, the Group expects future demand for cloud computing, big data services and artificial intelligence ("**AI**") computing to be sustainable in the long run. This will encourage corporate investments in data centres and cloud servers, thus driving ongoing growth in the Group's Industrial Solutions segment.

Looking ahead, although the overall market environment remains challenging, the Group will keep abreast on latest industry development and remain committed to R&D investment in both human talent and leading-edge facilities. The Group will forge strategic cooperation with world leading research enterprises and institutions to build innovative international R&D system. This will consolidate the Group's leading position in the market. Given its years of industry experience, leading core technologies and solid relationships with its customers, the Group is confident of continually expand its market share, drive business growth and generate satisfactory returns for the shareholders of the Company (the "**Shareholders**").

FINANCIAL REVIEW

Revenue

For the Period under review, total revenue increased by 25% or RMB215.7 million from RMB875.8 million in the corresponding period last year to RMB1,091.5 million. The increase was mainly driven by the strong revenue growth of the NEV segment.

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

	Six months ended 30 June		
(RMB thousands)	**2019**	2018	Change
New Energy	**575,351**	227,186	+153%
Body Control	**144,533**	188,615	-23%
Safety	**146,118**	191,826	-24%
Powertrain	**96,440**	111,114	-13%
Industrial	**82,205**	101,419	-19%
Rendering of Services and Others	**46,821**	55,676	-16%
Total	**1,091,468**	875,836	+25%

Gross Profit and Gross Profit Margin

Gross profit for the Period under review increased by 28% year-on-year to RMB236.1 million. The Group's overall gross profit margin for the Period under review was 21.6% (for the six months ended 30 June 2018: 21.1%).

Other Income and Gains

The Group's other income and gains mainly included government grants, bank interest income and others. For the Period under review, other income and gains increased by 124% to RMB9.6 million, mainly due to the increase of interest income from higher cash balances compared to the same period last 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 and business entertainment expenses, office utility expenses, marketing expenses, and depreciation costs. During the Period under review, the Group's sales and distribution expenses amounted to RMB24.7 million, representing an increase of 32% as compared to the corresponding period in 2018. The increase was mainly due to higher number of staff and corresponding total employee benefit costs, travelling and business entertainment expenses.

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 systems, other taxes and levies, and the equity-settled share option expenses.

During the Period under review, administrative expenses amounted to RMB127.7 million, representing an increase of 65% as compared to the corresponding period in 2018. Among which, (a) R&D expenses increased by 71% to RMB80.3 million, which was mainly attributable to the increase in the headcount of the R&D team from 294 employees in the corresponding period last year to 509 employees; and (b) other administrative expenses increased by 55%, which was mainly due to higher advisory, legal and compliance costs associated to the requirements of listed company and equity-settled share option expenses.

Other Expenses

Other expenses mainly consist of losses on exchange and financial instruments during the Period under review.

Finance Costs

During the Period under review, finance costs amounted to RMB18.5 million, representing an increase of 60% as compared to the corresponding period in 2018, which was mainly due to higher interest rate and the relatively significant increase of interest on trade financing facilities and interest on discounted notes incurred to support a bigger business.

Income Tax Expense

During the Period under review, income tax expense amounted to RMB8.2 million, representing a decrease of 15% as compared to the corresponding period in 2018, which was mainly due to a decrease of taxable profit.

Profit for the Period

During the Period, the increase in revenue together with associated increase in costs and expenses, and higher interim expenses in R&D had resulted in net profit of RMB62.8 million for the Period under review. Net profit margin is 5.8%, compared to 7.9% for the same period last year. The variance was mainly due to 2% higher investment as percentage of sales in R&D for the same period last year. At the operating level, excluding R&D expenses, the net profit margin was maintained at the same level as last year.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period under review, the Group continued to maintain a satisfactory and healthy liquidity position. As at 30 June 2019, the Group had cash and cash equivalents of RMB553.6 million (31 December 2018: RMB625.7 million).

The Group recorded net current assets of RMB1,056.2 million (31 December 2018: RMB1,080.3 million). Capital expenditure for the first half of the year were RMB31.2 million, which were mainly used for purchasing R&D equipment. The gearing ratio of the Group was 27% (31 December 2018: 13%), which represents net debt divided by the total equity plus net debt. Net debt includes interest-bearing bank and other loans, trade payables, other payables and accruals, less cash and cash equivalents and pledged deposits.

At as 30 June 2019, the Group had outstanding bank loans amounting to RMB486.6 million (31 December 2018: RMB374.7 million).

INTERIM DIVIDEND

The Directors did not recommend the payment of a dividend by the Company for the Period under review (for the six months ended 30 June 2018: nil).

CAPITAL COMMITMENT

As at 30 June 2019, the Group had capital commitments contracted, but not provided for, amounting to RMB10.6 million (31 December 2018: RMB12.3 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period under review, the Group did not have any material investments, material acquisitions or disposals of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities (30 June 2018: nil).

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 the 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 the RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. The Group also minimises loss caused by foreign exchange fluctuations through cost transfer by adjusting prices offered to customers and considers supplementing with foreign exchange forward contracts when necessary.

During the Period under review, the Group managed foreign currency exchange rate fluctuations by the aforesaid means to mitigate such exposure. The Group will closely monitor the change in foreign exchange rates to manage currency risks and consider necessary actions as required.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 773 employees (30 June 2018: 467 employees). The Group's labor costs, including salaries, bonuses, pension and welfare but excluding directors' and co-chief executives' remuneration and equity-settled share option expenses, were RMB83.0 million, equivalent to 7.6% of the Group's revenue in the Period.

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 30 June 2019, a total of 30,678,600 share options were granted to eligible employees under the share option scheme adopted on 22 June 2018, to enhance attractiveness in compensation as well as motivation for employee performance.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 July 2018 with net proceeds received by the Company from the Global Offering (as defined in the prospectus of the Company dated 29 June 2018 (the "**Prospectus**")) amounted to HK$766.7 million (equivalent to RMB655.4 million), after deducting the underwriting fees, commissions and all related expenses (the "**Net Proceeds**").

As disclosed in the announcement of the Company dated 12 July 2019, having reassessed the funding needs for the enhancement of the Group's overall R&D infrastructure, the Board has resolved to change the proposed use of part of the Net Proceeds originally allocated for the enhancement of the Group's R&D infrastructure by (i) investing in and acquiring testing and other equipment, and technology software to accelerate the Group's solution development cycle and thus increase exposure of the Group's solutions to customers; and (ii) investing in, acquiring and renovating properties for R&D purposes.

During the Period, the Net Proceeds have been used for the purpose consistent with the section headed "Future Plans and Use of Proceeds" as set out in the Prospectus and the announcement of the Company dated 12 July 2019.

The planned applications of the Net Proceeds, and details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds, and the utilization of the Net Proceeds as at the date of this announcement are set out below:

Use of proceeds	**Planned applications** *(RMB million)*	**Percentage of total net proceeds** *(%)*	**Actual usage** *(RMB million)*	**Unutilized net proceeds** *(RMB million)*	**Expected timeframe for utilizing the remaining unused Net Proceeds**
1. For the expansion of R&D capabilities	196.6	30	58.7	137.9	Expected to be fully utilized by end of 2021
2. For the enhancement of R&D infrastructure	196.6	30	92.5	104.1	Expected to be fully utilized by end of 2020
3. For the acquisitions of R&D capabilities	196.6	30	7	189.6	Expected to be fully utilized by end of 2021
4. General working capital	65.6	10	65.6	0	N/A
Total	655.4	100	223.8	431.6	

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

The Company or any of its subsidiaries did not purchase, sell or redeem any of its listed securities during the Period under review.

CORPORATE GOVERNANCE PRACTICES

During the Period, the Company has complied with the code provisions (the "**CG Code**") as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), 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. During the Period, Mr. Luk Wing Ming acted as both 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 our Board (the "**Board**") and the independent non-executive Directors ("**INEDs**"). 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code during the Period under review.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the review and supervision of the Group's financial reporting process and internal control measures. For the Period under review, the audit committee comprised of three INEDs of the Company, namely, Mr. Tsui Yung Kwok, Mr. Jiang Yongwei and Mr. Yu Hong. Mr. Tsui Yung Kwok serves as the chairman of the audit committee of the Company, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the Period under review. They considered that the unaudited interim financial statements of the Group for the Period under review are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

CHANGE OF JOINT COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

The Company hereby announces that Mr. Wong Yu Kit ("**Mr. Wong**"), one of the joint company secretaries and an authorised representative (for the purpose of Rule 3.05 of the Listing Rules) of the Company, has resigned from his position as a joint company secretary and authorised representative of the Company with effect from 28 August 2019.

Mr. Wong has confirmed that there is no disagreement between him and the Board and there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders and the Stock Exchange.

Following the resignation of Mr. Wong, Ms. Tsang Chi Ka ("**Ms. Tsang**"), the other joint company secretary of the Company who meets the requirements of a company secretary under Rule 3.28 of the Listing Rules, will remain in office and act as the sole company secretary of the Company. The Company further announces that Ms. Tsang has been appointed as an authorised representative with effect from 28 August 2019.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is required to be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company at www.intron-tech.com, respectively. The interim report of the Company for the Period will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**1,091,468**	875,836
Cost of sales		**(855,359)**	(690,882)
Gross profit		**236,109**	184,954
Other income and gains	*5*	**9,622**	4,296
Selling and distribution expenses		**(24,663)**	(18,663)
Administrative expenses		**(127,684)**	(77,557)
Other expenses		**(3,877)**	(2,853)
Finance costs		**(18,524)**	(11,575)
PROFIT BEFORE TAX	*6*	**70,983**	78,602
Income tax expense	*7*	**(8,163)**	(9,553)
PROFIT FOR THE PERIOD		**62,820**	69,049
EARNINGS PER SHARE *(RMB cents)*			
Basic	*9*	**6.1**	9.2
Diluted	*9*	**6.0**	9.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**62,820**	69,049
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**321**	734
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**321**	734
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**1,277**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**1,277**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**1,598**	734
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**64,418**	69,783

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**56,709**	37,022
Other intangible assets		**12,326**	13,957
Right-of-use assets		**31,414**	–
Investment in an associate		**10,000**	–
Deferred tax assets		**14,165**	9,605
Advance payments for property, plant and equipment		**5,792**	4,248
Total non-current assets		**130,406**	64,832
CURRENT ASSETS			
Inventories		**604,582**	464,234
Trade and notes receivables	*10*	**762,409**	723,395
Prepayments, other receivables and other assets		**142,394**	63,446
Financial assets at fair value through profit or loss		**500**	–
Financial assets at amortized cost		**306**	–
Pledged deposits		**33,220**	31,031
Cash and cash equivalents		**553,562**	625,718
Total current assets		**2,096,973**	1,907,824
CURRENT LIABILITIES			
Trade payables	*11*	**154,744**	171,502
Other payables and accruals		**371,984**	275,105
Derivative financial instruments		**1,017**	191
Interest-bearing bank and other loans		**486,566**	374,727
Tax payable		**13,092**	5,530
Lease liabilities		**12,948**	–
Government grants		**456**	456
Total current liabilities		**1,040,807**	827,511
NET CURRENT ASSETS		**1,056,166**	1,080,313
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,186,572**	1,145,145

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2019

	Notes	**As at 30 June 2019 (unaudited)** ***RMB'000***	As at 31 December 2018 (audited) *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**18,326**	–
Government grants		**2,179**	2,407
Total non-current liabilities		**20,505**	2,407
Net assets		**1,166,067**	1,142,738
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**8,816**	8,816
Reserves		**1,157,251**	1,133,922
Total equity		**1,166,067**	1,142,738

NOTES

1. GENERAL INFORMATION

Intron Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are focusing on developing automotive components engineering solutions for key automotive manufacturers in China. The Company is a limited liability company incorporated in the Cayman Islands on 3 January 2017.

2. BASIS OF PRESENTATION

The Group's unaudited condensed consolidated interim financial statements ("**Financial Statements**") for the six months ended 30 June 2019 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 and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

These Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

These Financial Statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations of Hong Kong Financial Reporting Standards ("**HKFRS**") and HKAS effective as of 1 January 2019 as follows:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK (IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015 – 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards had no significant financial impact on these Financial Statements. The nature and impact of the HKFRS 16 are described as below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to accounts for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

<u>New definition of a lease</u>

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK (IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

<u>As a lessee – Leases previously classified as operating leases</u>

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the consolidated statement of financial position as at 30 June 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 (increase/(decrease)) are as follows:

	(unaudited) *RMB'000*
Assets	
Right-of-use assets	20,078
Property, plant and equipment	(594)
Prepayments, other receivables and other assets	(486)
Total assets	18,998
Liabilities	
Lease liabilities	19,373
Finance lease payables	(375)
Total liabilities	18,998

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as of 31 December 2018 as follows:

	(unaudited) *RMB'000*
Operating lease commitments as at 31 December 2018	21,406
Weighted average incremental borrowing rate as at 1 January 2019	4.79%
Discounted operating lease commitments at 1 January 2019	20,244
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	1,246
Add:	
Commitments relating to leases previously classified as finance leases	375
Lease liabilities as at 1 January 2019	19,373

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual consolidated financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Amounts recognised in the interim consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the Period are as follows:

	Right-of-use assets			
	Properties	**Motor vehicles**	**Total**	**Lease liabilities**
		Unaudited		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	**19,484**	**594**	**20,078**	**19,373**
Additions	**17,891**	**–**	**17,891**	**17,891**
Depreciation	**(6,370)**	**(185)**	**(6,555)**	**–**
Interest expense	**–**	**–**	**–**	**638**
Payments	**–**	**–**	**–**	**(6,628)**
As at 30 June 2019	**31,005**	**409**	**31,414**	**31,274**

The Group recognised rental expense from short-term leases of RMB1,135,000 for the six months ended 30 June 2019.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organized 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

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Hong Kong	**17,231**	18,016
Mainland China	**1,072,780**	850,947
Others	**1,457**	6,873
	1,091,468	875,836

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

(b) ***Non-current assets***

	As at 30 June 2019 *(unaudited)* *RMB'000*	As at 31 December 2018 *(audited)* *RMB'000*
Hong Kong	**14,144**	7,490
Mainland China	**101,603**	47,737
Others	**494**	–
	116,241	55,227

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 major customers, each of them accounted for 10% or more of the Group's revenue, as set out below:

	Unaudited Six months ended 30 June 2019 *RMB'000*	2018 *RMB'000*
Customer 1	**146,013**	N/A*
Customer 2	**145,245**	N/A*
Customer 3	**137,855**	100,383
Customer 4	**N/A***	90,005

* The corresponding revenue did not contribute 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

		Unaudited Six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
(i)	**Revenue from contracts with customers**		
	– Sale of products	**1,087,222**	866,308
	– Rendering of consulting services	**4,246**	9,528
		1,091,468	875,836
(ii)	**Other income**		
	Government grants*	**3,653**	4,050
	Bank interest income	**4,852**	191
	Investment income from financial assets at fair value through profit or loss	**9**	46
	Others	**869**	9
		9,383	4,296
(iii)	**Gains**		
	Gain on disposal of items of property, plant and equipment	**239**	–
		9,622	4,296

Note:

* 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.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**851,948**	687,261
Cost of services provided	**3,411**	3,621
Depreciation – property, plant and equipment	**7,443**	3,859
Depreciation – right-of-use assets	**6,555**	–
Amortisation of other intangible assets*	**2,754**	2,477
Research and development costs	**80,343**	47,072
Minimum lease payments for leases previously classified as operating lease charges under HKAS 17	**–**	6,103
Expenses relating to short-term leases	**1,135**	–
Government grants	**(3,653)**	(4,050)
Bank interest income	**(4,852)**	(191)
Foreign exchange losses, net	**2,767**	2,839
Employee benefit expense (excluding directors' and co-chief executives' remuneration and equity-settled share option expenses):		
Wages and salaries	**73,055**	45,808
Pension scheme contributions	**8,900**	4,635
Staff welfare expenses	**1,030**	331
	82,985	50,774
Write-down of inventories to net realisable value**	**4,696**	856
Equity-settled share option expenses	**9,000**	–

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

** *Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.*

7. 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% on the estimated assessable profits arising in Hong Kong for the period.

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 Electronics Company Limited ("**Shanghai Intron**") and Shanghai G-Pulse Electronics Technology Company Limited, two subsidiaries of the Group are qualified as High and New Technology Enterprises and were subject to a preferential income tax rate of 15% for the period.

The major components of income tax expense of the Group are analyzed as follows:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the period	**4,585**	7,523
Current – Hong Kong		
Charge for the period	**8,139**	4,165
Deferred tax	**(4,561)**	(2,135)
Total tax charge for the period	**8,163**	9,553

8. DIVIDENDS

The Directors did not recommend the payment of a dividend by the Company for the six months ended 30 June 2019.

On 18 January 2018, Intron Technology (China) Limited, a subsidiary of the Group, declared and approved a dividend of US$6,200,000 (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 31 May 2019, a final dividend for the year ended 31 December 2018 of HK 5.5 cents per ordinary share (2017: Nil), amounting to HK$56,979,000 (equivalent to RMB50,089,000), has been approved by the shareholders at the annual general meeting of the Company. The 2018 final dividend was paid in July 2019 and is reflected as dividends payable in these Financial Statements.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2019 of RMB62,820,000 (2018: RMB69,049,000) and the weighted average of 1,035,975,000 ordinary shares (2018: 750,000,000 ordinary shares, assuming the capitalization issue had been completed on 1 January 2017, as further detailed in note 28 to Group's annual consolidated financial statements for the year ended 31 December 2018).

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2019 of RMB62,820,000 (2018: RMB69,049,000) and the weighted average of 1,041,390,011 ordinary shares (2018: 750,000,000 ordinary shares), calculated as follows:

	Unaudited Six months ended 30 June	
	2019	2018
Weighted average number of ordinary shares (basic)	**1,035,975,000**	750,000,000
Effect of deemed issue of shares under the Company's Share option scheme	**5,415,011**	–
Weighted average number of ordinary shares (diluted)	**1,041,390,011**	750,000,000

10. TRADE AND NOTES RECEIVABLES

	As at 30 June 2019 (unaudited) ***RMB'000***	As at 31 December 2018 (audited) *RMB'000*
Trade receivables	**641,406**	564,744
Notes receivable	**121,820**	160,065
	763,226	724,809
Impairment	**(817)**	(1,414)
	762,409	723,395

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 RMB28,166,000 as at 30 June 2019 (31 December 2018: RMB21,796,000), which are repayable on credit terms similar to those offered to the other customers of the Group.

The ageing analysis of trade receivables based on the invoice date and net of loss allowance is as follows:

	As at 30 June 2019 (unaudited) *RMB'000*	As at 31 December 2018 (audited) *RMB'000*
Less than 3 months	**493,329**	501,426
3 to 6 months	**87,824**	56,149
6 to 12 months	**58,119**	4,079
1 to 2 years	**1,118**	1,550
Over 2 years	**199**	126
	640,589	563,330

11. TRADE PAYABLES

An ageing analysis of the trade payables based on the invoice date is as follows:

	As at 30 June 2019 (unaudited) *RMB'000*	As at 31 December 2018 (audited) *RMB'000*
Less than 3 months	**129,107**	156,952
3 to 6 months	**22,836**	11,753
6 to 12 months	**1,094**	2,719
1 to 2 years	**1,629**	65
Over 2 years	**78**	13
	154,744	171,502

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

12. SHARE CAPITAL

	As at 30 June 2019 (unaudited) *HK$'000*	As at 31 December 2018 (audited) *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each	**24,000**	24,000

	As at 30 June 2019 (unaudited) *RMB'000*	As at 31 December 2018 (audited) *RMB'000*
Issued and fully paid:		
Ordinary shares of HK$0.01 each	**8,816**	8,816

13. EVENTS AFTER THE REPORTING PERIOD

On 12 July 2019, an indirect wholly-owned subsidiary of the Company entered into sale and purchase agreements with an independent third party to purchase a Property with a gross floor area of 3,820.98 square meter (the "**Acquisition**") in Shanghai, PRC at a consideration in the sum of approximately RMB55.0 million. The Acquisition did not constitute a notifiable transaction or connected transaction under Chapters 14 or 14A of the Listing Rules. Details of the Acquisition were set out in the Company's announcement dated 12 July 2019.

By order of the Board
INTRON TECHNOLOGY HOLDINGS LIMITED
LUK WING MING
Chairman and executive Director

Hong Kong, 28 August 2019

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