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 2020

FINANCIAL HIGHLIGHTS
(RMB in thousands, unless specified)

	Unaudited Six months ended 30 June 2020	Six months ended 30 June 2019	Year-on-Year change
Financial Figures			
Revenue Breakdown:			
New Energy	**137,515**	575,351	-76%
Body Control	**142,467**	144,533	-1%
Safety	**195,173**	146,118	34%
Powertrain	**116,512**	96,440	21%
Industrial	**232,498**	82,205	183%
Rendering of Services & Others	**40,214**	46,821	-14%
Total Revenue	**864,379**	1,091,468	-21%
Gross Profit	**172,396**	236,109	-27%
Net Profit	**44,949**	62,820	-28%
Earnings per share *(RMB cents)*			
– Basic	**4.34**	6.06	-28%
– Diluted	**4.34**	6.03	-28%
			% point of change
Financial Ratios (% of Total Revenue)			
Gross Profit	**19.9%**	21.6%	-1.7
Research and Development Costs	**6.7%**	7.4%	-0.7
Net Profit	**5.2%**	5.8%	-0.6

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 2020 (the "**Period**" or "**Period under review**") together with selected explanatory notes and the relevant comparative figures for the corresponding period in 2019.

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 2020, the outbreak of COVID-19 had an adverse and material impact on the global economy. When the COVID-19 epidemic spread in the People's Republic of China (the "**PRC**") in early 2020, the Chinese government adopted measures to curb its spread, under which manufacturing industry and public transportation were suspended to prevent the transmission of the virus, affecting various industries including the automotive industry. In conjunction with the government's effort, the automotive industry of the PRC began to recover from April 2020. According to the data published by the China Association of Automobile Manufacturers ("**CAAM**"), the overall sales of automotive vehicles in the PRC in the first half of 2020 decreased by 17% year on year, in particular new energy vehicle ("**NEV**") decreased by 37% to 393 thousand units, reflecting the weaker performance of the NEV market compared to the overall automotive market.

The poor market performance of the NEV business had certainly affected the overall results of the Group. Fortunately, with the Group's leading technology, years of experience and leading position in the automotive industry, the Group was able to record overall positive growth for its traditional vehicle business despite a declining market performance. The improved revenue of the Group's traditional vehicle business segments alleviated the impact on overall result of the Group caused by the slowdown in the NEV market segment.

BUSINESS REVIEW

In the first half of 2020, the Group's revenue amounted to RMB864.4 million, representing a decrease of 21% as compared with the corresponding period last year. This was mainly due to the overall weakness of the automotive industry, in particular the NEV segment. Gross profit margin decreased slightly from 21.6% to 19.9% compared to the corresponding period last year. Net profit amounted to RMB44.9 million, representing a year-on-year decrease of 28%. During the Period, the Group recorded a better-than-market growth for the traditional vehicle business, together with the satisfactory growth in the industrial business, has partially offset the decline in the NEV segment.

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. In the first half of 2020, the Group has increased collaboration with these customers engaging more research and development ("**R&D**") projects in areas of NEV and Advanced Driver-assistance System ("**ADAS**"). These R&D projects will eventually enable the Group's customers to mass produce their new vehicle models in the future.

New Energy Vehicle Solutions

Revenue from the NEV Solutions of the Group was RMB137.5 million for the first half of the year, representing a year-on-year decrease of 76% compared with RMB575.4 million of the corresponding period last year. This was in line with the poor market performance of the domestic brand OEMs who are the Group's main customers in the NEV segment.

During the Period under review, the Group continued to maintain close relationships with key customers and succeeded in entering into NEV-related joint projects with various renowned automotive brands in the PRC. These projects will enable mass production of those new vehicle models gradually in the coming years. The Group believes that the growing trend for NEV in the PRC will accelerate. With its leading technology and market position, the Group will further expand its market share and seize long-term growth opportunities.

In terms of technological advancement, the Group was awarded a certificate for ISO26262 Vehicle Functional Safety by exida, an internationally renowned certification company, for its NEV-related products. This certification fully demonstrates the Group's industry-leading position and the growth potential of its new energy electronic control business.

Body Control, Safety and Powertrain Solutions

The Group achieved a better-than-market growth in these areas despite the weak performance of the automotive market in the PRC in the first half of 2020. The segmental revenue of Safety and Powertrain Solutions increased significantly by 34% and 21% year-on-year respectively, while the Body Control segmental revenue reported a slight decrease of 1%.

Industrial Solutions

The Group's Industrial Solutions business mainly includes smart power management solutions designed for high-performance CPUs and graphics processors in cloud servers. During the Period under review, market investments in cloud servers and data centres increased considerably as the COVID-19 epidemic changed people's daily lives and work habits towards increasing online activities and demand for more data storage and cloud services. The revenue of the Group's industrial solutions amounted to RMB232.5 million, representing a year-on-year surge of 183%. In technological aspect, the Group's smart power management solutions will complement its business in automotive related business as automotive industry gradually expands with demand for online and data support merging demands for the Group's applications of solutions. The Group is confident that with its combination of leading and comprehensive technology and solutions, the Group is capable to capture the enormous growth opportunities in the industrial and automotive business.

For the six months ended 30 June 2020, the Group provided 185 solutions to 799 customers. 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

The Group has regarded R&D as the cornerstone of its business development. During the Period under review, the Group continued to strengthen its R&D capabilities with its R&D expenses amounted to RMB57.8 million. As a percentage of revenue, R&D expenses were 6.7%, which was slightly lower than the same period last year. As at 30 June 2020, the Group had 557 full-time R&D-related professionals, representing 65% of its total employees. The Group had also secured 79 patents and 118 software copyrights, an increase of 13 patents and 16 software copyrights respectively compared to the year end of 2019.

Construction of the Intron Technology Research and Development Testing and Validation Centre located in Shanghai was completed and put into operation in stages. Its primary usage is an integrated testing and validation centre for the Group. Sharing the facilities with customers and partners will create stronger business collaborations with our customers and partners. This will also speed up technological advancement of the industry, and to transfer and implement related technological achievements, all to the benefit of stronger ties with our customers and partners. In addition, this Shanghai R&D Centre has built-in technology training facilities. In collaboration with leading intelligent vehicle software suppliers, the Group provides customers with professional software trainings utilising the training facilities there. The training centre highlights the strength of advanced technology of the Group, which enables the Group to raise loyalty of its customers and consolidate its position as their R&D partner in the long run.

On the R&D in NEV, in addition to the lithium battery electric control unit, the Group has also completed the early stage development of fuel cell engine controller. In the second quarter of 2020, the Group has delivered its first batch of fuel cell engine controller samples to the largest domestic hydrogen fuel cell manufacturer of NEV in the PRC.

Moreover, in order to further adopt its principle of "staying close to customers with multi-location R&D facilities", the Group has set up an R&D facility in Jinan during the Period under review, which mainly provides technical supports to the industrial business customers. Furthermore, the Group's first operational base in Europe has also commenced operations in Munich, Germany in June 2020. The German office aims to facilitate in-depth technology exchanges and strengthen cooperation between the Group and world-leading R&D organisations and automotive electronics enterprises in Europe.

During the Period under review, the Group continued to cooperate with various international leading R&D institutions including Astera Labs, a famous semiconductor circuits design company in Silicon Valley, to enhance the Group's technological capability in cloud computing. In addition, the Group joined AUTomotive Open System Architecture ("**AUTOSAR**"), an internationally renowned automotive industrial chain organisation, as a Premier Partner and took part in the technical working group within AUTOSAR during the Period. In future, the Group will focus on development of applications meeting AUTOSAR requirements for the electrification and development of intelligent automotive vehicles.

Outlook

Against the backdrop of overall weak automotive market in the first half of 2020 and despite poor performance of the NEV market, the Group delivered better-than-market performance on the traditional vehicle business with a significant revenue increase for the industrial business. The Group believes that there are still ample opportunities in the automotive market, in particular in the NEV market and on ADAS products. The Group has invested considerable resources in these areas and expects its projects to enter into mass production in stages in the coming years. For instance, the Group's automated driving domain controller products used for automated valet parking has been adopted by BAIC BJEV, which is expected to commence mass production from 2022. As a pioneer, the Group leverages its first mover advantage to continue to deliver better-than-market growth.

In another development, the Group has also signed a licensing agreement with Infineon, a leading global semiconductor company. Under the agreement, the Group is authorised to develop software information security solutions using Infineon's Micro Controller Units. This will further promote the electrification and intelligent platforms' development in the local automotive industry in the PRC.

In the area of the NEV, notwithstanding current market slowdown, the Group is confident in long-term growth potential of the market. Furthermore, the Chinese government recently promulgated the NEV subsidy policy in rural market, which is believed to speed up market recovery. In the first half of 2020, the Group entered into a number of NEV joint projects with various renowned automotive brands in the PRC, laying a sound foundation for its results for the upcoming years.

For the Industrial Solutions segment, the Group believes that demand for technologies such as cloud services, big data and artificial intelligence from society will continue to grow. In particular, the impact of COVID-19 epidemic has changed living and working habits of the general public. The Group believes that this segment will continue to be its long-term growth driver.

Looking ahead on the background of market recovery from COVID-19, with the increasing trend of automation, electrification and intelligent development in the NEV segment and ADAS technology, the Group is confident to leverage its extensive industry experience, leading core technologies and solid relationships with its customers, to achieve a long-term sustainable business and provide satisfactory returns to the shareholders of the Company (the "**Shareholders**").

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, total revenue amounted to RMB864.4 million (30 June 2019: RMB1,091.5 million), which was mainly due to the slowdown in the overall PRC automotive market, especially 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)	**2020**	2019	Year-on-year Change
New Energy	**137,515**	575,351	–76%
Body Control	**142,467**	144,533	–1%
Safety	**195,173**	146,118	+34%
Powertrain	**116,512**	96,440	+21%
Industrial	**232,498**	82,205	+183%
Rendering of Services and Others	**40,214**	46,821	–14%
Total	**864,379**	1,091,468	–21%

Gross Profit and Gross Profit Margin

Gross profit for the six months ended 30 June 2020 decreased by 27% to RMB172.4 million as compared to the corresponding period last year. The Group's overall gross profit margin for the six months ended 30 June 2020 was 19.9% (for the six months ended 30 June 2019: 21.6%).

Other Income and Gains

The Group's other income and gains mainly included bank interest income, government grants and others. For the six months ended 30 June 2020, other income and gains increased by 3% to RMB9.9 million, among which, government grants increased as compared to the corresponding period last year while interest income decreased moderately. Overall income and gains increased slightly as compared to the corresponding period in 2019.

Sales and Distribution Expenses

Sales and distribution expenses mainly consist of salaries, benefits and equity-settled share option expense for staff, transportation and insurance costs, maintenance and repair expenses, travelling and business entertainment expenses, marketing expenses, and administrative depreciation related costs. During the Period under review, the Group's sales and distribution expenses amounted to RMB26.4 million, representing an increase of 7% as compared to the corresponding period in 2019. The higher expenses were mainly due to increase in the number of sales services staff and their related expenses.

Administrative Expenses

Administrative expenses mainly consist of (a) R&D expenses; and (b) other administration expenses including salaries, benefits and equity-settled share option expense 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.

During the Period under review, administrative expenses amounted to RMB94.5 million, representing a decrease of 26% as compared to the corresponding period in 2019. Among which, (a) R&D expenses decreased by 28% to RMB57.8 million year on year, which was mainly attributable to capitalisation of certain R&D projects during the Period under review; and (b) other administrative expenses decreased by 23%, which was mainly due to the lower amount of equity-settled share option expenses for the period.

Other Expenses

Other expenses mainly consist of losses on exchange and financial instruments. During the Period under review, the expenses in this category was similar to the corresponding period last year.

Finance Costs

During the Period under review, finance costs amounted to RMB9.6 million, representing a decrease of 48% as compared to the corresponding period in 2019, which was mainly due to the decrease of interest rates on trade finance and the discretionally lower discount financing utilised from the discounted notes. As a result, overall finance costs decreased significantly.

Income Tax Expense

During the Period under review, income tax expense amounted to RMB2.8 million, representing a decrease of 66% as compared to the corresponding period in 2019, which was mainly due to a decrease of taxable profit.

Profit for the Period

During the Period under review, the Group's profit decreased by 28% from RMB62.8 million for the six months ended 30 June 2019 to RMB44.9 million for the six months ended 30 June 2020, which was due to lower revenue caused by the slowdown of the market as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period under review, the Group continued to maintain a satisfactory and healthy liquidity position. As at 30 June 2020, the Group had cash and cash equivalents of RMB478.8 million (31 December 2019: RMB497.3 million).

The Group recorded net current assets of RMB984.4 million (31 December 2019: RMB1,018.9 million). Capital expenditure for the first half of the year were RMB28.3 million, which were mainly used for addition of R&D equipment and improvement of R&D infrastructures facilitating multi-location R&D supports and services to customers. The gearing ratio of the Group was 16% (31 December 2019: 27%), 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.

As at 30 June 2020, the Group had outstanding bank loans amounting to RMB415.9 million (31 December 2019: RMB454.0 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 2019: nil).

CAPITAL COMMITMENT

As at 30 June 2020, the Group had capital commitments contracted, but not provided for, amounting to RMB4.3 million (31 December 2019: RMB2.8 million).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period under review, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures (31 December 2019: nil).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have significant contingent liabilities (31 December 2019: 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 2020, the Group had 862 employees (31 December 2019: 844 employees). The Group's labour costs, including salaries, bonuses, pension and welfare but excluding directors' and co-chief executives' remuneration, were RMB54.6 million, equivalent to 6.3% of the Group's revenue in the Period (31 December 2019: 6.7%).

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 2020, the Group had a total of 29,282,600 outstanding share options 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. For details, please refer to the announcement of the Company dated 21 January 2019.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 22 June 2018 (the "**Scheme**") for the purpose of recognizing and acknowledging the contributions of certain eligible participants who had or may have made to the Group whose contributions are or will be beneficial to the performance, growth or success of the Group.

On 21 January 2019, the Company granted share options to the eligible participants to subscribe for a total of 30,678,600 ordinary shares under the Scheme. No options were granted, cancelled, lapsed or exercised during the Period. Set out below are details of the options granted (the "**Granted Options**") pursuant to the Share Option Scheme but not yet exercised as at 30 June 2020.

Category	Number of eligible participants	Date of grant[1]	Exercisable period[2]	Number of share options: Balance as at 1 January 2020	Granted during the Period	Exercised during the period	Lapsed/ forfeited during the Period	Cancelled during the Period	Balance as at 30 June 2020	Exercise price per share *(HK$)*
Executive Directors	2	21 January 2019	1 January 2020 to 31 December 2025	3,050,000	–	–	–	–	3,050,000	2.662
Independent non-executive Directors	3	21 January 2019	1 January 2020 to 31 December 2025	150,000	–	–	–	–	150,000	2.662
Employees	128	21 January 2019	1 January 2020 to 31 December 2025	26,082,600	–	–	–	–	26,082,600	2.662
Total	**133**	**21 January 2019**	**1 January 2020 to 31 December 2025**	**29,282,600**	**–**	**–**	**–**	**–**	**29,282,600**	**2.662**

Notes:

(1) The closing prices of the shares of the Company immediately before the grant of share options on 21 January 2019 was HK$2.66.

(2) The Granted Options shall be vested to the grantees in accordance with the vesting schedule as follows: (i) as to 25% of the total number of Granted Options on 1 January 2020; (ii) as to 25% of the total number of Granted Options on 1 January 2021; (iii) as to 25% of the total number of Granted Options on 1 January 2022; and (iv) as to 25% of the total number of Granted Options on 1 January 2023. Once vested, the share options shall be exercisable on a cumulative basis.

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, actual usage of the Net Proceeds up to 30 June 2020 and the expected timeframe for utilizing the remaining unused Net Proceeds 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	160.3	36.3	Expected to be fully utilized by end of 2020
2. For the enhancement of R&D infrastructure	196.6	30	133.9	62.7	Expected to be fully utilized by end of 2021

Use of proceeds	Planned applications	Percentage of total net proceeds	Actual usage	Unutilized net proceeds	Expected timeframe for utilizing the remaining unused Net Proceeds
	(RMB million)	*(%)*	*(RMB million)*	*(RMB million)*	
3. For the acquisitions of R&D capabilities	196.6	30	15	181.6	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	374.8	280.6	

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

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 Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the Period under review, 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 BY DIRECTORS

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.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines during the Period under review and as at 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.

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 independent non-executive Directors 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.

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 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**864,379**	1,091,468
Cost of sales		**(691,983)**	(855,359)
Gross profit		**172,396**	236,109
Other income and gains	*5*	**9,930**	9,622
Selling and distribution expenses		**(26,431)**	(24,663)
Administrative expenses		**(94,477)**	(127,684)
Other expenses		**(3,699)**	(3,877)
Finance costs		**(9,586)**	(18,524)
Share of loss of an associate		**(403)**	–
PROFIT BEFORE TAX	*6*	**47,730**	70,983
Income tax expense	*7*	**(2,781)**	(8,163)
PROFIT FOR THE PERIOD		**44,949**	62,820
EARNINGS PER SHARE *(RMB cents)*			
Basic	*9*	**4.34**	6.06
Diluted	*9*	**4.34**	6.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**44,949**	62,820
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(7)**	321
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(7)**	321
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**(3,573)**	1,277
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(3,573)**	1,277
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(3,580)**	1,598
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**41,369**	64,418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	**As at 30 June 2020 (unaudited)** ***RMB'000***	As at 31 December 2019 (audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**140,445**	126,624
Right-of-use assets		**23,931**	29,559
Other intangible assets		**76,254**	51,170
Investment in an associate		**8,623**	9,026
Deferred tax assets		**23,434**	15,781
Advance payments for property, plant and equipment		**4,325**	5,617
Total non-current assets		**277,012**	237,777
CURRENT ASSETS			
Inventories		**577,703**	617,074
Trade and notes receivables	*10*	**580,463**	787,056
Prepayments, other receivables and other assets		**91,744**	99,005
Financial assets at fair value through profit or loss		**–**	500
Pledged deposits		**59,863**	33,896
Cash and cash equivalents		**478,784**	497,331
Total current assets		**1,788,557**	2,034,862
CURRENT LIABILITIES			
Trade and notes payables	*11*	**76,163**	170,035
Other payables and accruals		**288,515**	360,207
Derivative financial instruments		**31**	262
Interest-bearing bank and other loans		**415,854**	453,960
Tax payable		**9,258**	15,884
Lease liabilities		**12,923**	14,173
Government grants		**1,380**	1,456
Total current liabilities		**804,124**	1,015,977
NET CURRENT ASSETS		**984,433**	1,018,885
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,261,445**	1,256,662

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2020

	Notes	**As at 30 June 2020 (unaudited)** ***RMB'000***	As at 31 December 2019 (audited) *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**11,989**	16,012
Government grants		**650**	802
Total non-current liabilities		**12,639**	16,814
Net assets		**1,248,806**	1,239,848
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**8,816**	8,816
Reserves		**1,239,990**	1,231,032
Total equity		**1,248,806**	1,239,848

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 2020 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure 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 2019.

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

Prior to 1 January 2020, United States Dollar was regarded as the functional currency of Intron Technology (China) Limited ("**Intron HK**"), a direct wholly-owned subsidiary of the Company. The functional currency has been changed to RMB since 1 January 2020 as it is more reflective of the underlying transactions of Intron HK. The change in functional currency was applied prospectively from the date of change in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates".

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these Financial Statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations)issued by the HKICPA for the first time for the current periods' financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The new and revised standards had no significant financial impact on these Financial Statements. The Group has not applied any new and revised standard that is not yet effective for the current accounting period.

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	
	2020	2019
	RMB'000	*RMB'000*
Hong Kong	**24,435**	17,231
Mainland China	**815,352**	1,072,780
Other countries/regions	**24,592**	1,457
	864,379	1,091,468

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

(b) Non-current assets

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
	RMB'000	*RMB'000*
Hong Kong	**12,359**	13,609
Mainland China	**240,549**	207,615
Other countries/regions	**670**	772
	253,578	221,996

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	
	2020	2019
	RMB'000	*RMB'000*
Customer 1	**155,873**	N/A*
Customer 2	**N/A***	146,013
Customer 3	**N/A***	145,245
Customer 4	**N/A***	137,855

* 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	
	2020	2019
	RMB'000	*RMB'000*
(i) Revenue from contracts with customers		
– Sale of products	**854,522**	1,087,222
– Rendering of consulting services	**9,857**	4,246
	864,379	1,091,468
(ii) Other income		
Government grants*	**5,509**	3,653
Bank interest income	**2,542**	4,852
Investment income from financial assets at fair value through profit or loss	**5**	9
Others	**1,801**	869
	9,857	9,383
(iii) Gains		
Gain on disposal of items of property, plant and equipment	**73**	239
	9,930	9,622

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	
	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**687,568**	851,948
Cost of services provided	**4,415**	3,411
Depreciation of property, plant and equipment	**12,110**	7,443
Depreciation of right-of-use assets	**8,492**	6,555
Amortisation of other intangible assets*	**3,481**	2,754
Research and development costs	**57,788**	80,343
Lease payments not included in the measurement of lease liabilities	**2,458**	1,135
Government grants	**(5,509)**	(3,653)
Bank interest income	**(2,542)**	(4,852)
Foreign exchange losses, net	**3,697**	2,767
Employee benefit expense (excluding directors' and co-chief executives' remuneration):		
Wages and salaries	**47,684**	73,055
Equity-settled share option expense	**3,361**	6,161
Pension scheme contributions	**2,411**	8,900
Staff welfare expenses	**1,104**	1,030
	54,560	89,146
Write-down of inventories to net realizable value**	**6,788**	4,696

* *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 in the Cayman Islands. The Company has registered with the Company Registry in Hong Kong on 22 December 2017 and derived an interest income during the period. Since the provision of credit of the loan was in Hong Kong, the interest income received is subject to Hong Kong Profits 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% (2019:16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2019 : HK$ 2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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 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	
	2020	2019
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the period	**2,582**	4,585
Current – Hong Kong		
Charge for the period	**7,852**	8,139
Deferred tax	**(7,653)**	(4,561)
Total tax charge for the period	**2,781**	8,163

8. DIVIDENDS

The Directors did not recommend the payment of a dividend by the Company for the six months ended 30 June 2020.

On 28 May 2020, a final dividend for the year ended 31 December 2019 of HK 3.8 cents per ordinary share (2018: HK 5.5 cents), amounting to HK$39,367,000 (equivalent to RMB36,194,000), has been approved by the shareholders at the annual general meeting of the Company. The 2019 final dividend was paid in July 2020 and is reflected as dividends payable in these Financial Statements.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,035,975,000 (2019: 1,035,975,000) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculations is the number of ordinary shares in issue during the period, after adjusting for the potential dilutive effect caused by the share options granted under the share option scheme of the Company.

The computation of diluted earnings per share for the current period did not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for the shares of the Company during the period.

	Unaudited Six months ended 30 June	
	2020	2019
Weighted average number of ordinary shares (basic)	**1,035,975,000**	1,035,975,000
Effect of dilution-weighted average number of ordinary shares:		
Share options	**–**	5,415,011
Weighted average number of ordinary shares (diluted)	**1,035,975,000**	1,041,390,011

10. TRADE AND NOTES RECEIVABLES

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
	RMB'000	*RMB'000*
Trade receivables	**448,310**	563,045
Notes receivable	**134,831**	227,058
	583,141	790,103
Impairment	**(2,678)**	(3,047)
	580,463	787,056

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 RMB31,641,000 as at 30 June 2020 (31 December 2019: RMB35,374,000), 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 2020 (unaudited) *RMB'000*	As at 31 December 2019 (audited) *RMB'000*
Less than 3 months	**360,674**	491,720
3 to 6 months	**41,362**	28,275
6 to 12 months	**17,045**	14,588
1 to 2 years	**26,169**	24,810
Over 2 years	**382**	605
	445,632	559,998

11. TRADE AND NOTES PAYABLES

	As at 30 June 2020 (unaudited) *RMB'000*	As at 31 December 2019 (audited) *RMB'000*
Trade payables	**50,464**	99,823
Notes payables	**25,699**	70,212
	76,163	170,035

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

	As at 30 June 2020 (unaudited) *RMB'000*	As at 31 December 2019 (audited) *RMB'000*
Less than 3 months	**40,227**	96,988
3 to 6 months	**9,534**	2,428
6 to 12 months	**669**	306
1 to 2 years	**18**	74
Over 2 years	**16**	27
	50,464	99,823

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

12. SHARE CAPITAL

	As at 30 June 2020 (unaudited) *HK$'000*	As at 31 December 2019 (audited) *HK$'000*
Authorised:		
2,400,000,000 (2019: 2,400,000,000) shares		
Ordinary shares of HK$0.01 each	**24,000**	24,000

	As at 30 June 2020 (unaudited) *RMB'000*	As at 31 December 2019 (audited) *RMB'000*
Issued and fully paid:		
1,035,975,000 (2019: 1,035,975,000) shares		
Ordinary shares of HK$0.01 each	**8,816**	8,816

13. EVENTS AFTER THE REPORTING PERIOD

On 17 August 2020, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Novauto (Beijing) Co., Ltd. ("**Novauto**"), an independent third party, to acquire minor equity interest in Novauto at a consideration of RMB15 million (the "**Acquisition**"). Novauto is a startup company incubated by Tsinghua University to engage in the fast-growing intelligent driving platform industry.

The Acquisition did not constitute a notifiable transaction or connected transaction under Chapters 14 or 14A of the Listing Rules.

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

Hong Kong, 27 August 2020

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.