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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 2021**

FINANCIAL HIGHLIGHTS

(RMB in thousands, unless specified)

	Unaudited		Year-on-Year change
	Six months ended	30 June 2020	
	30 June 2021	30 June 2020	
<u>Financial Figures</u>			
Revenue Breakdown:			
New Energy	383,869	137,515	+179%
Body Control	237,608	142,467	+67%
Safety	253,302	195,173	+30%
Powertrain	140,814	116,512	+21%
Industrial	283,548	232,498	+22%
Rendering of Services & Others	21,428	40,214	-47%
Total Revenue	1,320,569	864,379	+53%
Gross Profit	253,271	172,396	+47%
Net Profit	63,437	44,949	+41%
Earnings per share (<i>RMB cents</i>)			
– Basic	5.90	4.34	+36%
– Diluted	5.82	4.34	+34%
			% point of change
<u>Financial Ratios (% of Total Revenue)</u>			
Gross Profit	19.2%	19.9%	-0.7
Research and Development Costs	7.4%	6.7%	+0.7
Net Profit	4.8%	5.2%	-0.4

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 2021 (the “**Period**” or “**Period under review**”) together with selected explanatory notes and the relevant comparative figures for the corresponding period in 2020.

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

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In the first half of 2021, the outbreak of COVID-19 still had a lingering impact on the global economy. The effective control measures adopted by the government of the People’s Republic of China (the “**PRC**”) contributed to the continual steady recovery of the Chinese economy, which facilitated the implementation of consumption policy measures and strongly supported the recovery of the automotive market. Although the shortage of semiconductors and rising raw materials cost still exerted certain impact on the automotive market, the automotive industry of the PRC saw a full rebound during the first half of the year. According to the data published by the China Association of Automobile Manufacturers (“**CAAM**”), the overall sales volume of automotive vehicles in the PRC in the first half of 2021 increased year-on-year by 25.6% to 12,891 thousand units. In particular, the sales volume of new energy vehicle (“**NEV**”) showed strong growth beyond market expectation as it doubled year-on-year to 1,206 thousand units.

In response to the recovery opportunities present in the automotive market as well as the challenges brought by the global shortage in supply of semiconductors during the first six months, the Group leveraged on its years of partnership with its business partners to proactively manage inventory supply ahead of the market trend. Alongside its strong research and development (“**R&D**”) capabilities and long-standing solid market position, the Group achieved outstanding results during the Period. For the six months ended 30 June 2021, the Group’s overall revenue increased drastically by 53% year-on-year to RMB1,320.6 million. In particular, benefited from its superior customer base and market acumen, the Group succeeded in minimising the negative market impact caused by the shortage of semiconductors. The revenue from the NEV Solutions business surged 179% year-on-year, whereas the Body Control, Safety and Powertrain businesses maintained steady year-on-year growth of 67%, 30% and 21% respectively. Moreover, the Group’s Industrial Solutions business also grew 22% year-on-year on the surge in demand for data centres and cloud service platforms.

BUSINESS REVIEW

For the six months ended 30 June 2021, the results of the Group grew as the market rebounded. The Group's revenue amounted to RMB1,320.6 million, representing a significant increase of 53% as compared to the same period last year. Gross profit margin remained at a stable level of 19.2% (first half of 2020: 19.9%). Net profit also increased significantly to RMB63.4 million, representing a year-on-year increase of 41%.

During the Period under review, the Group recorded growth in all of its business segments with particularly satisfactory performance from its NEV Solutions business, reflecting the significant results of the Group's long-term pragmatic efforts in developing such business. The Group's key ultimate customers continued to comprise automotive makers and brands that manufacture motor vehicles ("OEMs"), including the top ten renowned Chinese new energy passenger vehicles brands, such as BYD, FAW, SAIC, GAG, Geely, GWM and BAIC. In addition, adapting to the changes in the NEV market in the PRC, the Group expanded its client coverage by collaborating with the fast-growing new electric car start-up companies.

New Energy Vehicle Solutions

The suspension of factory operations caused by the pandemic outbreak led to a prolonged global shortage of semiconductors during the Period. However, the stability of the Group's semiconductor supply outperformed its industry peers primarily due to the Group's proactive management to secure the supply of semiconductors required by its customers under such difficult conditions, building upon its stable and reliable customer base plus its long-established close partnership with the semiconductor suppliers. As a result, when the domestic brand NEVs business resumed together with strong business uptake of the new electric car start-up companies at the recovery of NEV automotive market in PRC, the Group emerged strongly as their business partners in the tough market environment and recorded a surge in revenue during the first half of 2021. Not only did the Group capitalise on the strong recovery of NEV business in 2021, it also further consolidated the business relationships with its new and existing customers alike.

During the Period, the revenue from the Group's NEV Solutions business rose significantly to RMB383.9 million, representing a year-on-year increase of 179% as compared with RMB137.5 million of last year. The satisfactory growth was attributable to the continual development of the general NEV market. Moreover, the Group's market share was also improved as automotive makers adopted more solutions and product modules provided by the Group and some of the R&D projects gradually started mass production during the Period.

In addition to the main solutions, including the Battery Management System (BMS), Motor Control Unit (MCU) and Vehicle Control Unit (VCU), the Group also introduced other solutions to enrich its product portfolio, such as DCDC Converters, Battery Power Inverters, High-voltage Battery Management, Vehicle On-Board Charging, Water Pump Controllers (WPC), PTC Heaters, Powertrain System Domain Controllers and SIAPM Modules.

Body Control, Safety and Powertrain Solutions

The Group's automotive electronics business benefited from the growth in overall demand and incremental new applications during the Period, coupled with the significant increase in the revenue from commercial vehicles and powertrain applications.

During the Period under review, the revenue from Body Control Solutions business reached RMB237.6 million, representing a year-on-year increase of 67%. This was mainly due to the increase in order volume driven by higher purchase from more automotive makers. The revenue from Safety Solutions business increased 30% to RMB253.3 million, which was mainly attributable to the mass production of the new Advanced Driver-assistance System (“ADAS”) domain controllers and the broader application of safety related products, including products related to Anti-lock Braking System (ABS), Tire Pressure Monitoring System (TPMS), Electric Power Steering (EPS) and ADAS solutions. The revenue from Powertrain Solutions business increased 21% year-on-year to RMB140.8 million, which was mainly due to the growing business driven by the development of the automotive electronic controller unit business.

Industrial Solutions

During the Period under review, the revenue from the Industrial Solutions business of the Group increased 22% year-on-year to RMB283.6 million. This was mainly attributable to the broad application of the online market, which led to the continual increase in demand for data centres and cloud computing facilities. This led to increase in demand for the Group’s power management solutions which contributed to the increase in its industrial related revenue for the first half of the year. For other Industrial Solutions provided by the Group, there was an increased demand from customers during the Period for solutions such as high-tech production of motor drivers.

For the six months ended 30 June 2021, the Group provided 207 R&D solutions to a total of 897 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

R&D has always been the cornerstone of the Group’s development. In face of the market environment filled with opportunities and challenges, the Group made several R&D achievements during the Period under review. During the Period, the Group’s R&D expenses amounted to RMB97.3 million, accounting for 7.4% of the Group’s revenue, which was an increase from 6.7% of the same period last year.

As at 30 June 2021, the Group had 607 full-time R&D-related professionals, representing 62% of its total employees. The Group also secured 152 patents and 129 software copyrights, an increase of 73 patents and 11 software copyrights, respectively compared to the same period last year.

In April 2021, the Group joined Beijing Horizon Robotics Technology R&D Co., Ltd. (“**Horizon Robotics**”), a leading developer of edge Artificial Intelligence (“AI”) chips, at the 19th Shanghai International Automobile Industry Exhibition, where the two companies unveiled for the first time a series of jointly-developed intelligent automotive electronic products and solutions. All four intelligent automotive solutions and products displayed at the exhibition were equipped with the “Journey” series chips of Horizon Robotics, satisfying L1 to L4 automated driving requirements and covering products and solutions from ADAS to automated driving functions.

In May 2021, the Group joined Xilinx, Inc. (“**Xilinx**”), a world-leading automotive solution provider, at the 8th China International Automotive Technology Expo and officially announced to launch the open-source platform solution – CAELUS automated driving controller unit. To address the complex requirements of different automated driving scenarios, the Group adopted Xilinx’s UltraScale MPSoC, a product featuring enhanced safety, high performance and maximum flexibility, to provide customers with a solution that is reliable and ready for mass production.

The Group’s new large-scale R&D Testing and Validation Centre in Shanghai has successfully obtained the Laboratory Accreditation from the China National Accreditation Service for Conformity Assessment (CNAS). The accreditation proves that the Group’s R&D Testing and Validation Centre is in par with the national laboratory standard in respect of operational professionalism, staffing, management standards and technical capabilities. Combined with the robust R&D capabilities of the Group, the centre will help the Group shorten its product development cycle, enhance product reliability, and facilitate the upgrading of its technologies and products.

As of the first half of 2021, the R&D Testing and Validation Centre supported the Group in more than 200 projects. To cope with the business development of the Group, apart from optimising the testing capability on existing mature electrified products, including battery, motor and electronic controls, auxiliary control and heat management, the centre also completed building its testing capability on intelligent products and hydrogen fuel cell automobile products, including the intelligent driving domain, mmWave radar and cockpit controllers.

During the Period, the Group continued to explore investment and business cooperation opportunities with potential technology start-ups. In May 2021, the Group made a strategic investment in Antobot, an award-winning start-up headquartered in the United Kingdom. Antobot was founded by embedded AI and robotics controls experts in Cambridge, the United Kingdom, and its first product line is its fully integrated automotive-grade universal Robot Control Unit (uRCU®), the “brain” of the robot. Through exchanging R&D techniques, the cooperation between the Group and Antobot will be helpful in growing Antobot into a leading force in the global agricultural robotics sector. The Group will continue to explore and innovate in R&D to support the integration of technologies on intelligent robotics and AI platforms.

Outlook

The Group’s customer base in the NEV sector has been growing constantly. Currently, the Group’s customers cover traditional renowned automotive makers as well as new electric car start-ups, laying a sound foundation for the Group’s business for the upcoming years. To support a larger business, the Group will launch an open electronic control unit (Open-ECU) platform supporting segmented electric vehicles and automated driving platforms to its customers in the third quarter of 2021, further utilising its technological platform for further business enhancement.

The Group took the lead in the research and development of ADAS solutions. Our solution portfolio has now covered all major areas and will be gradually put into mass production in the coming one to two years. In the area of Hydrogen Fuel Energy, following the Group’s earlier technical break-through achievement in hydrogen fuel-cell battery control management, the Group will shortly set up a subsidiary company to focus its R&D in this area and on the development of business around Hydrogen Fuel-cell Vehicle (HFCV).

For the Industrial Solutions segment, the Group believes that big data and cloud servers will be the future development trend in the long run. With the changes in lifestyle and habits of the general public, this segment will bring stable income for the Group and will complement the Group's automotive business in the technological aspect.

As for R&D, the Group has invested in the construction of a whole-vehicle level automated driving system calibration laboratory, which is expected to be put into operation at the end of August 2021. Other than the continuous upgrading and expansion of the R&D Testing and Validation facilities, the Group will also upgrade the data management and digitisation of the centre in the second half of 2021. Currently, the Group has started in the area of testing operation and quality testing reports and will extend to the other area of information and data management of the testing centre later this year.

Looking ahead, we expect that the shortage of semiconductor chip supply will continue to linger for a period of time. However, the Group is prudently optimistic on the general market supply condition. With the increasing popularity and adoption of electric and intelligent vehicles solutions, the Group expects the automotive market demand to continue to rebound. Coupling the other industrial business growth with public demand for data centres and cloud servers, and its long-standing focus on R&D projects and investments, the Group is confident in achieving sustainable growth and generating stable and satisfactory long-term returns for the shareholders of the Company (“**Shareholders**”).

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, total revenue increased 53% year-on-year to RMB1,320.6 million, which was mainly due to the general recovery of the PRC automotive market during the Period under review.

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

(RMB'000)	Six months ended 30 June		
	2021	2020	Year-on-year Change
New Energy	383,869	137,515	+179%
Body Control	237,608	142,467	+67%
Safety	253,302	195,173	+30%
Powertrain	140,814	116,512	+21%
Industrial	283,548	232,498	+22%
Rendering of Services and Others	21,428	40,214	-47%
Total	1,320,569	864,379	+53%

Gross Profit and Gross Profit Margin

Gross profit for the six months ended 30 June 2021 increased by 47% to RMB253.3 million as compared to the corresponding period last year. The Group's overall gross profit margin for the six months ended 30 June 2021 was 19.2% (for the six months ended 30 June 2020: 19.9%).

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 2021, other income and gains increased by 23% to RMB12.2 million, among which, government grants increased as compared to the corresponding period last year.

Sales and Distribution Expenses

Sales and distribution expenses mainly consisted of salaries and benefits, 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 RMB43.3 million, representing an increase of 64% as compared to the corresponding period in 2020. The higher expenses were mainly due to increase in the number of sales services staff and their related expenses.

Administrative Expenses

Administrative expenses mainly consisted 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 equity-settled share option expenses.

During the Period under review, administrative expenses amounted to RMB143.8 million, representing an increase of 52% as compared to the corresponding period in 2020, which was mainly due to the increase in R&D personnel and the other administrative staff. In particular, (a) R&D expenses increased by 68% to RMB97.3 million year-on-year; and (b) other administrative expenses increased by 27% to RMB46.5 million.

Other Expenses

Other expenses mainly consisted of losses on exchange and financial instruments during the Period under review. Other expenses decreased by 94% year-on-year mainly because of the significant drop in exchange losses.

Finance Costs

During the Period under review, finance costs amounted to RMB11.2 million, representing an increase of 16% as compared to the corresponding period in 2020, which was mainly due to the increase of interest expenses on discounted notes to support larger business activity.

Income Tax Expenses

During the Period under review, income tax expenses amounted to RMB3.3 million, representing an increase of 19% as compared to the corresponding period in 2020, which was mainly due to an increase in taxable profit.

Profit for the Period

During the Period under review, the Group's profit increased by 41% from RMB44.9 million for the six months ended 30 June 2020 to RMB63.4 million for the six months ended 30 June 2021, which was due to significantly higher revenue brought by the recovery of the general market.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period under review, the Group continued to maintain a satisfactory and healthy liquidity position. As at 30 June 2021, the Group had cash and cash equivalents of RMB673.3 million (31 December 2020: RMB388.3 million).

As at 30 June 2021, the Group recorded net current assets of RMB1,152.7 million (31 December 2020: RMB948.2 million). Capital expenditure for the first half of the year were RMB21.1 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 3.7% (31 December 2020: 19%), 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 2021, the Group had outstanding bank loans amounting to RMB469.1 million (31 December 2020: RMB433.1 million).

As at 30 June 2021, the Group's time deposits amounted to RMB25.4 million (31 December 2020: RMB30.2 million) were pledged to secure certain of the Group's bank loans. Saved as disclosed above, no other Group's assets were charged to any financial institutions.

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 2020: nil).

CAPITAL COMMITMENT

As at 30 June 2021, the Group had capital commitments contracted, but not provided for, amounting to RMB5.2 million (31 December 2020: RMB7.5 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 2020: nil).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have significant contingent liabilities (31 December 2020: 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 2021, the Group had 986 employees (30 June 2020: 862 employees). The Group's labour costs, including salaries, bonuses, pension and welfare but excluding directors' and co-chief executives' remuneration and equity-settled share option expenses, were RMB95.0 million, equivalent to 7.2% 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 2021, the Group had a total of 52,464,700 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 announcements of the Company dated 21 January 2019, 30 September 2020 and 18 May 2021.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for its employees in Hong Kong. The Group did not record any forfeited contribution from the MPF Scheme for the six months ended 30 June 2021 to reduce the existing level of contributions (for the year ended 31 December 2020: RMB20,000).

The Group’s employees in the PRC participate in various defined contribution schemes managed by local government authorities, pursuant to which the Group pays a stipulated percentage of payroll costs as contributions to the schemes. The Group has no obligations to pay further contributions and no forfeited contributions were available to the Group to reduce the existing level of contributions.

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.

The details of the exercise price and number of options outstanding during the Period which have been granted to, exercised and cancelled by the eligible participants are as follows:

Category	Date of grant	Exercisable period	Balance as at 1 January 2021	Granted during the Period	Number of share options			Balance as at 30 June 2021	Exercise price per share HK\$
					Exercised during the Period	Lapsed/ forfeited during the Period	Cancelled during the Period		
Executive Directors	21 January 2019 ⁽¹⁾	1 January 2020 to 31 December 2025 ⁽²⁾	3,050,000	-	-	-	-	3,050,000	2.662
	18 May 2021 ⁽⁵⁾	1 June 2022 to 31 May 2028 ⁽⁶⁾	-	360,000	-	-	-	360,000	4.25
Independent non-executive Directors	21 January 2019 ⁽¹⁾	1 January 2020 to 31 December 2025 ⁽²⁾	150,000	-	-	-	-	150,000	2.662
	18 May 2021 ⁽⁵⁾	1 June 2022 to 31 May 2028 ⁽⁶⁾	-	120,000	-	-	-	120,000	4.25
Employees	21 January 2019 ⁽¹⁾	1 January 2020 to 31 December 2025 ⁽²⁾	25,177,600	-	3,084,900	-	108,000	21,984,700	2.662
	30 September 2020 ⁽³⁾	1 October 2021 to 30 September 2027 ⁽⁴⁾	3,600,000	-	-	-	-	3,600,000	2.810
	18 May 2021 ⁽⁵⁾	1 June 2022 to 31 May 2028 ⁽⁶⁾	-	23,320,000	-	-	120,000	23,200,000	4.25
Total			31,977,600	23,800,000	3,084,900	-	228,000	52,464,700	

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 share options granted (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.
- (3) The closing prices of the shares of the Company immediately before the grant of share options on 30 September 2020 was HK\$2.81.
- (4) 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 October 2021; (ii) as to 25% of the total number of Granted Options on 1 October 2022; (iii) as to 25% of the total number of Granted Options on 1 October 2023; and (iv) as to 25% of the total number of Granted Options on 1 October 2024. Once vested, the share options shall be exercisable on a cumulative basis.
- (5) The closing prices of the shares of the Company immediately before the grant of share options on 18 May 2021 was HK\$4.25.
- (6) 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 June 2022; (ii) as to 25% of the total number of Granted Options on 1 June 2023; (iii) as to 25% of the total number of Granted Options on 1 June 2024; and (iv) as to 25% of the total number of Granted Options on 1 June 2025. 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 2021 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 up to 30 June 2021 (RMB million)	Unutilized Net Proceeds as at 30 June 2021 (RMB million)	Expected timeframe for utilizing the remaining unused Net Proceeds
1. For the expansion of R&D capabilities	196.6	30	196.6	0	N/A
2. For the enhancement of R&D infrastructure	196.6	30	184.6	12.0	Expected to be fully utilized by end of 2021
3. For the acquisitions of R&D capabilities	196.6	30	72.2	124.4	Expected to be fully utilized by end of 2022
4. General working capital	65.6	10	65.6	0	N/A
Total	655.4	100	519.0	136.4	

PLACING OF SHARES

On 3 February 2021, an aggregate of 45,000,000 placing shares have been successfully allotted and issued to not fewer than six independent placees at the placing price of HK\$6.82 per share (the “**Placing**”). The net proceeds from the Placing amounted to HK\$302.8 million (equivalent to RMB252.6 million). Immediately after completion of the Placing, the shares held by the placees accounted for 4.15% of the issued share capital of the Company.

For details of the Placing, please refer to the announcements of the Company dated 26 January 2021 and 3 February 2021.

The planned applications of the net proceeds from the Placing, actual usage of such net proceeds up to 30 June 2021 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 up to 30 June 2021 (RMB million)	Unutilized net proceeds as at 30 June 2021 (RMB million)	Expected timeframe for utilizing the remaining unused net proceeds
1. Developing software platform towards intelligent driving solutions	62.0	25	0.3	61.7	Expected to be fully utilized by end of 2023
2. Further developing software systems and electronic controls solutions for automotive electric vehicle	35.0	14	0.4	34.6	Expected to be fully utilized by end of 2023
3. Application of higher power semiconductor solutions	35.0	14	0	35.0	Expected to be fully utilized by end of 2023
4. Further developing the Group’s testing and validation centre for intelligent driving	62.0	25	0.1	61.9	Expected to be fully utilized by end of 2023
5. General working capital	58.6	22	58.6	0	N/A
Total	252.6	100	59.4	193.2	

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. The 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, the 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, 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 (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 2021*

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
REVENUE	5	1,320,569	864,379
Cost of sales		(1,067,298)	(691,983)
Gross profit		253,271	172,396
Other income and gains	5	12,197	9,930
Selling and distribution expenses		(43,250)	(26,431)
Administrative expenses		(143,783)	(94,477)
Other expenses		(237)	(3,699)
Finance costs		(11,155)	(9,586)
Share of loss of an associate		(307)	(403)
PROFIT BEFORE TAX	6	66,736	47,730
Income tax expense	7	(3,299)	(2,781)
PROFIT FOR THE PERIOD		63,437	44,949
EARNINGS PER SHARE (<i>RMB cents</i>)			
Basic	9	5.90	4.34
Diluted	9	5.82	4.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	63,437	44,949
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>9,188</u>	<u>(7)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>9,188</u>	<u>(7)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	<u>(8,095)</u>	<u>(3,573)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(8,095)</u>	<u>(3,573)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>1,093</u>	<u>(3,580)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>64,530</u>	<u>41,369</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		157,728	154,128
Right-of-use assets		22,603	22,940
Other intangible assets		169,702	125,913
Investment in an associate		9,682	7,989
Financial assets at fair value through profit or loss		54,229	15,000
Equity investments designated at fair value through other comprehensive income		995	995
Deferred tax assets		31,612	23,658
Advance payments for property, plant and equipment		6,086	8,904
		<hr/>	<hr/>
Total non-current assets		452,637	359,527
CURRENT ASSETS			
Inventories		398,838	447,456
Trade and notes receivables	10	791,250	782,948
Contract assets		–	1,052
Prepayments, other receivables and other assets		48,377	39,586
Financial assets at fair value through profit or loss		3,000	–
Pledged deposits		30,695	35,548
Cash and cash equivalents		673,268	388,261
		<hr/>	<hr/>
Total current assets		1,945,428	1,694,851
CURRENT LIABILITIES			
Trade and notes payables	11	126,253	74,487
Other payables and accruals		169,641	221,310
Interest-bearing bank and other loans		469,100	433,075
Tax payable		14,110	5,811
Lease liabilities		11,435	11,807
Government grants		2,200	152
		<hr/>	<hr/>
Total current liabilities		792,739	746,642
		<hr/>	<hr/>
NET CURRENT ASSETS		1,152,689	948,209
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,605,326	1,307,736

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 30 June 2021*

		As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		12,480	11,894
Government grants		1,330	3,930
		<hr/>	<hr/>
Total non-current liabilities		13,810	15,824
		<hr/>	<hr/>
Net assets		1,591,516	1,291,912
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>12</i>	9,217	8,816
Reserves		1,582,299	1,283,096
		<hr/>	<hr/>
Total equity		1,591,516	1,291,912
		<hr/>	<hr/>

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 2021 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 2020.

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.

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 2020, 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 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

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	
	2021	2020
	RMB'000	RMB'000
Hong Kong	13,729	24,435
Mainland China	1,305,667	815,352
Other countries/regions	1,173	24,592
	<u>1,320,569</u>	<u>864,379</u>

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

(b) *Non-current assets*

	As at	As at
	30 June	31 December
	2021	2020
	(unaudited)	(audited)
	RMB'000	RMB'000
Hong Kong	36,626	16,127
Mainland China	383,804	318,992
Other countries/regions	596	750
	<u>421,026</u>	<u>335,869</u>

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 a major customer accounted for 10% or more of the Group's revenue, as set out below:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Customer 1	157,605	155,873

5. REVENUE, OTHER INCOME AND GAINS

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
(i) Revenue from contracts with customers		
– Sale of products	1,313,247	854,522
– Rendering of consulting services	7,322	9,857
	<u>1,320,569</u>	<u>864,379</u>
(ii) Other income		
Government grants*	8,348	5,509
Bank interest income	2,329	2,542
Investment income from financial assets at fair value through profit or loss	–	5
Others	1,515	1,801
	<u>12,192</u>	<u>9,857</u>
(iii) Gains		
Gain on disposal of items of property, plant and equipment	5	73
	<u>12,197</u>	<u>9,930</u>

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	
	2021	2020
	RMB'000	RMB'000
Cost of inventories sold	1,063,633	687,568
Cost of services provided	3,665	4,415
Depreciation of property, plant and equipment	12,433	12,110
Depreciation of right-of-use assets	8,561	8,492
Amortisation of other intangible assets*	5,778	3,481
Research and development costs	97,333	57,788
Lease payments not included in the measurement of lease liabilities	1,656	2,458
Government grants	(8,348)	(5,509)
Bank interest income	(2,329)	(2,542)
Foreign exchange losses, net	130	3,697
Employee benefit expense (excluding directors' and co-chief executives' remuneration):		
Wages and salaries	85,167	47,684
Equity-settled share option expense	4,023	3,361
Pension scheme contributions	7,346	2,411
Staff welfare expenses	2,489	1,104
	99,025	54,560
Write-down of inventories to net realizable value**	14,613	6,788

* *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% (2020:16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020:8.25%) and the remaining assessable profits are taxed at 16.5% (2020:16.5%).

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% (2020: 15%) during the period. Certain subsidiaries of the Group are qualified as Small and Micro Enterprises and were subject to a preferential tax rate of 10% (2020: 10%) during the period.

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current – Mainland China		
Charge for the period	3,222	2,582
Current – Hong Kong		
Charge for the period	8,030	7,852
Deferred tax	(7,953)	(7,653)
	<hr/>	<hr/>
Total tax charge for the period	3,299	2,781

8. DIVIDENDS

The Directors did not recommend the payment of a dividend by the Company for the six months ended 30 June 2021.

On 26 May 2021, a final dividend for the year ended 31 December 2020 of HK 3.2 cents per ordinary share (2019: HK 3.8 cents), amounting to HK\$34,689,000 (equivalent to RMB28,646,000), has been approved by the shareholders at the annual general meeting of the Company. The 2020 final dividend was paid in July 2021 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 for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,075,294,000 (2020: 1,035,975,000), calculated as follows:

Weighted average number of ordinary shares

	Unaudited Six months ended 30 June	
	2021	2020
Issued ordinary shares at 1 January (<i>note 12</i>)	1,035,975,000	1,035,975,000
Effect of shares issued under share option scheme	2,523,000	–
Effect of shares issued upon placement	36,796,000	–
	<u>1,075,294,000</u>	<u>1,035,975,000</u>

(b) *Diluted earnings per share*

The calculation of the diluted earnings per share 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 1,091,532,000 shares (2020: 1,035,975,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Unaudited Six months ended 30 June	
	2021	2020
Weighted average number of ordinary shares (basic) at 30 June	1,075,294,000	1,035,975,000
Effect of deemed issue of shares under the Company's share option scheme	14,768,000	–
	<u>1,090,062,000</u>	<u>1,035,975,000</u>

10. TRADE AND NOTES RECEIVABLES

	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
Trade receivables	693,254	681,725
Notes receivable	106,985	109,979
	<u>800,239</u>	<u>791,704</u>
Impairment	(8,989)	(8,756)
	<u>791,250</u>	<u>782,948</u>

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 RMB9,652,000 as at 30 June 2021 (31 December 2020: RMB18,668,000), 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 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
Less than 3 months	584,213	611,231
3 to 6 months	52,630	20,668
6 to 12 months	24,997	14,577
1 to 2 years	11,173	12,669
Over 2 years	11,253	13,824
	<u>684,266</u>	<u>672,969</u>

11. TRADE AND NOTES PAYABLES

	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
Trade payables	121,308	69,934
Notes payables	4,945	4,553
	<u>126,253</u>	<u>74,487</u>

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

	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
Less than 3 months	118,196	64,948
3 to 6 months	1,327	4,772
6 to 12 months	1,570	32
1 to 2 years	209	176
Over 2 years	6	6
	<u>121,308</u>	<u>69,934</u>

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

12. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2020 and 30 June 2021 (unaudited)	2,400,000,000	24,000
		<u>RMB'000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2020, 31 December 2020 and 1 January 2021	1,035,975,000	8,816
Shares issued under share option scheme (<i>note (a)</i>)	3,084,900	26
Shares issued upon placement (<i>note (b)</i>)	45,000,000	375
		<u>9,217</u>
At 30 June 2021 (unaudited)	1,084,059,900	9,217

Notes:

- (a) During the six months ended 30 June 2021, share options were exercised to subscribe for 3,084,900 ordinary shares (six months ended 30 June 2020: nil) of the Company at a consideration of RMB6,816,000 (six months ended 30 June 2020: nil) of which RMB26,000 (six months ended 30 June 2020: nil) was credited to share capital and RMB6,790,000 (six months ended 30 June 2020: nil) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB2,793,000 (six months ended 30 June 2020: nil) was transferred to the share premium account.
- (b) On 3 February 2021, an aggregate of 45,000,000 placing shares have been successfully allotted and issued to not fewer than six independent placees at the placing price of HK\$6.82 per share. The net proceeds from the placing amount to HK\$302,750,000 (equivalent to RMB252,611,000). Immediately after completion of the placing, the shares held by the placees account for 4.15% of issued share capital of the Company.

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

Hong Kong, 26 August 2021

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.