



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

2019
INTERIM REPORT

The graphic features the text '2019 INTERIM REPORT' in white, bold, sans-serif font. The text is positioned inside a large, white-outlined triangle that points towards the top right. The background is a dark blue gradient with a complex network of white lines and dots, resembling a molecular or data structure.



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Luk Wing Ming (*Chairman and Co-CEO*)

Mr. Chan Cheung Ngai (*Co-CEO*)

Mr. Chan Ming

Mr. Ng Ming Chee

Independent Non-executive Directors

Mr. Jiang Yongwei

Mr. Yu Hong

Mr. Tsui Yung Kwok

REGISTERED OFFICE

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1008-10, 10/F Delta House

3 On Yiu Street, Shatin

New Territories, Hong Kong

COMPANY SECRETARY

Ms. Tsang Chi Ka*

AUTHORIZED REPRESENTATIVES

Mr. Ng Ming Chee

Ms. Tsang Chi Ka*

AUDIT COMMITTEE

Mr. Tsui Yung Kwok (*Chairman*)

Mr. Yu Hong

Mr. Jiang Yongwei

* *Mr. Wong Yu Kit ("Mr. Wong"), one of the joint company secretaries and an authorised representative of the Company, has resigned from his position as a joint company secretary and authorised representative of the Company with effect from 28 August 2019.*

Following the resignation of Mr. Wong, Ms. Tsang Chi Ka ("Ms. Tsang"), the other joint company secretary of the Company remains in office and act as the sole company secretary of the Company. Furthermore, Ms. Tsang has been appointed as an authorised representative with effect from 28 August 2019.

REMUNERATION COMMITTEE

Mr. Jiang Yongwei (*Chairman*)

Mr. Yu Hong

Mr. Luk Wing Ming

NOMINATION COMMITTEE

Mr. Chan Cheung Ngai (*Chairman*)

Mr. Jiang Yongwei

Mr. Tsui Yung Kwok

AUDITOR

Ernst & Young

Certified Public Accountants

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

COMPLIANCE ADVISER

First Shanghai Capital Limited

PRINCIPAL BANKERS

Bank of China

Bank of Shanghai

Bank of China (Hong Kong) Limited

BNP Paribas

Hang Seng Bank Limited

STOCK CODE

1760

WEBSITE

www.intron-tech.com

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

SUMMARY

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

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

BUSINESS REVIEW

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

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

During the Period under review, the Group’s key customers continued to comprise automotive makers and brands that manufacture motor vehicles (“**OEMs**”) in the PRC, including the top ten renowned Chinese new energy passenger vehicles brands, such as BYD and BAIC BJEV.

New Energy Vehicle Solutions

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Body Control, Safety and Powertrain Solutions

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

Industrial Solutions

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

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

Research and Development

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

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

Other Income and Gains

The Group's other income and gains mainly included government grants, bank interest income and others. For the Period under review, other income and gains increased by 124% to RMB9.6 million, mainly due to the increase of interest income from higher cash balances compared to the same period last year.

Sales and Distribution Expenses

Sales and distribution expenses mainly consist of salaries and benefits for staff, transportation and insurance costs, maintenance and repair expenses, travelling and business entertainment expenses, office utility expenses, marketing expenses, and depreciation costs. During the Period under review, the Group's sales and distribution expenses amounted to RMB24.7 million, representing an increase of 32% as compared to the corresponding period in 2018. The increase was mainly due to higher number of staff and corresponding total employee benefit costs, travelling and business entertainment expenses.

Administrative Expenses

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

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

Other Expenses

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

Finance Costs

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

Income Tax Expense

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

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

INTERIM DIVIDEND

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

CAPITAL COMMITMENT

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: no significant contingent liabilities).

FOREIGN EXCHANGE EXPOSURE

The Group primarily operates in the PRC with a mixed currency revenue source. It is therefore exposed to foreign currency risk arising from fluctuations in exchange rates between 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.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The planned applications of the Net Proceeds, the actual usage as at the date of this report 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	58.7	137.9	Expected to be fully utilized by end of 2021
2. For the enhancement of R&D infrastructure	196.6	30	92.5	104.1	Expected to be fully utilized by end of 2020
3. For the acquisitions of R&D capabilities	196.6	30	7	189.6	Expected to be fully utilized by end of 2021
4. General working capital	65.6	10	65.6	0	N/A
Total	655.4	100	223.8	431.6	

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

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

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the following persons (other than the interests of the Directors or chief executive of the Company as disclosed below) had interests or short positions in the ordinary shares of the Company (the “**Shares**”) or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “**SFO**”) or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of securities held ⁽¹⁾	Approximate shareholding percentage (%)
Magnate Era Limited (“ Magnate Era ”) ^(2, 5 & 7)	Beneficial owner	525,000,000 (L)	50.70%
Treasure Map Ventures Limited (“ Treasure Map ”) ^(4 & 5)	Beneficial owner	75,000,000 (L)	7.23%
Heroic Mind Limited (“ Heroic Mind ”) ^(6 & 7)	Beneficial owner	75,000,000 (L)	7.23%
Zenith Benefit Investments Limited (“ Zenith Benefit ”) ^(3, 5 & 7)	Beneficial owner	55,000,000 (L)	5.30%
Fidelity China Special Situations PLC (“ Fidelity China ”) ⁽³⁾	Beneficial owner	52,421,000 (L)	5.06%
FIL Limited ⁽⁸⁾	Interest in controlled corporations	52,577,000 (L)	5.08%
Pandanus Partners L.P. ⁽⁸⁾ (“ Pandanus Partners ”) ⁽⁸⁾	Interest in controlled corporations	52,577,000 (L)	5.08%
Pandanus Associates Inc. ⁽⁸⁾ (“ Pandanus Associates ”) ⁽⁸⁾	Interest in controlled corporations	52,577,000 (L)	5.08%

Notes:

- The letter “L” denotes long position of the shares.
- Magnate Era is a corporate controlling shareholder legally and beneficially owned by both Mr. Luk Wing Ming (“**Mr. Luk**”) and Mr. Chan Cheung Ngai (“**Mr. Chan**”) in equal shares.
- Zenith Benefit is a corporate controlling shareholder legally and beneficially owned by both Mr. Luk and Mr. Chan in equal shares.
- Treasure Map is a corporate controlling shareholder legally and beneficially owned as to 100.0% by Mr. Luk.
- As disclosed in Notes 2 to 4 above, Mr. Luk owned 50.0% of Magnate Era, 50.0% of Zenith Benefit and 100.0% of Treasure Map (all being corporate controlling shareholders). He is deemed under the SFO to be interested in the entirety of 655,000,000 Shares directly held by the aforesaid three holding companies.
- Heroic Mind was a corporate controlling shareholder legally and beneficially owned as to 100.0% by Mr. Chan.
- As disclosed in Notes 2, 3 and 6 above, Mr. Chan owned 50.0% of Magnate Era, 50.0% of Zenith Benefit and 100.0% of Heroic Mind (all being corporate controlling shareholders). He is deemed under the SFO to be interested in the entirety of 655,000,000 Shares directly held by the aforesaid three holding companies.
- FIL Limited owned 100.0% of FIL Investment Management (Hong Kong) Limited, which is interested in 52,577,000 Shares. FIL Limited is owned as to 38.69% by Pandanus Partners, which is in turn 100.0% held by Pandanus Associates. Each of FIL Limited, Pandanus Partners and Pandanus Associates is deemed under the SFO to be interested in the entirety of 52,577,000 Shares held by FIL Investment Management (Hong Kong) Limited.

Save as disclosed above, as at the date of this report, the Company is not aware of any other person or corporation (other than Directors or chief executive of the Company) having an interest or short position in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of Part XV of the SFO.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares of the Company (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) are as follows:

(a) Long position in the Shares of the Company

Name of Shareholder	Nature of Interest	Number of securities held ⁽¹⁾	Approximate shareholding percentage (%)
Mr. Luk ⁽²⁾	Interest of controlled corporations	655,000,000 (L)	63.20%
Mr. Chan ⁽³⁾	Interest of controlled corporations	655,000,000 (L)	63.20%
Ms. Zhang Dan ⁽⁴⁾	Interest of spouse	655,000,000 (L)	63.20%
Ms. Zhang Hui ⁽⁵⁾	Interest of spouse	655,000,000 (L)	63.20%
Mr. Chan Ming	Beneficial owner	2,000,000 (L)	0.19%
Mr. Ng Ming Chee	Beneficial owner	2,000,000 (L)	0.19%

Notes:

1. The letter "L" denotes long position of the shares.
2. Mr. Luk owned 50.0% of Magnate Era, 50.0% of Zenith Benefit and 100.0% of Treasure Map (all being corporate controlling shareholders). He is deemed under the SFO to be interested in the entirety of 655,000,000 Shares directly held by the aforesaid three holding companies.
3. Mr. Chan owned 50.0% of Magnate Era, 50.0% of Zenith Benefit and 100.0% of Heroic Mind (all being corporate controlling shareholders). He is deemed under the SFO to be interested in the entirety of 655,000,000 Shares directly held by the aforesaid three holding companies.
4. Ms. Zhang Dan is the spouse of Mr. Luk. Under the SFO, Ms. Zhang Dan is deemed to be interested in the entirety of the 655,000,000 Shares in which Mr. Luk is interested.
5. Ms. Zhang Hui is the spouse of Mr. Chan. Under the SFO, Ms. Zhang Hui is deemed to be interested in the entirety of the 655,000,000 Shares in which Mr. Chan is interested.

DISCLOSURE OF INTERESTS

(b) Long position in underlying shares – share options

The following Directors of the Company have personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Exercisable period	Balance as at 1 January 2019	Number of share options		Balance as at 30 June 2019	Exercise price per share (HK\$)
				Granted during the Period	Exercised during the Period		
Mr. Chan Ming	21 January 2019	1 January 2020 to 31 December 2025	-	1,550,000	-	1,550,000	2.662
Mr. Ng Ming Chee	21 January 2019	1 January 2020 to 31 December 2025	-	1,500,000	-	1,500,000	2.662
Mr. Jiang Yongwei	21 January 2019	1 January 2020 to 31 December 2025	-	50,000	-	50,000	2.662
Mr. Tsui Yung Kwok	21 January 2019	1 January 2020 to 31 December 2025	-	50,000	-	50,000	2.662
Mr. Yu Hong	21 January 2019	1 January 2020 to 31 December 2025	-	50,000	-	50,000	2.662

Save as disclosed above, as at the date of this report, none of the Directors or the chief executives of the Company or any of their respective associates had any interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 22 June 2018 (the “**Scheme**”) for the purpose of recognize and acknowledge the contributions of certain eligible participants had or may have made to the Group whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Scheme in accordance with the rules thereof, the Scheme shall remain in force for a period of ten years from the date of its adoption.

Eligible participants of the Scheme include any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any Directors or proposed Director (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries; any direct or indirect shareholder of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at 12 July 2018 (the “**Listing Date**”), (i.e. 100,000,000 Shares representing approximately 9.65% of the issued share capital of the Company) as at the date of this report. Subject to the issue of a circular by the Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the shares in issue as at the date of the approval by the shareholders of the Company in general meeting; and/or
- (ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

DISCLOSURE OF INTERESTS

The maximum number of Shares issuable upon the exercise of share options granted under the Scheme and any other share option scheme adopted by the Group (including both exercised and outstanding options) to each eligible participant within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise period of the share options granted is determined by the Directors, which period may commence on the date of the offer of the share options, and end on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which the share options must be held before it can be exercised. Participants of the Scheme shall pay HK\$1.00 to the Company by way of consideration for the grant.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of

- (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day;
- (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and
- (iii) the nominal value of a Share.

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. The following table discloses movements in the outstanding share options granted under the Scheme during the Period:

Category	Date of grant	Exercisable period	Number of share options					Balance as at 30 June 2019	Exercise price per share (HK\$)
			Balance as at 1 January 2019	Granted during the Period	Exercised during the Period	Lapsed/ forfeited during the Period	Cancelled during the Period		
Executive Directors	21 January 2019	1 January 2020 to 31 December 2025	-	3,050,000	-	-	-	3,050,000	2.662
Independent non-executive Directors	21 January 2019	1 January 2020 to 31 December 2025	-	150,000	-	-	-	150,000	2.662
Employees	21 January 2019	1 January 2020 to 31 December 2025	-	27,478,600	-	-	-	27,478,600	2.662
Total	21 January 2019	1 January 2020 to 31 December 2025	-	30,678,600	-	-	-	30,678,600	2.662

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

During the Period, the Company has complied with the code provisions (the “**CG Code**”) as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rule, except for a deviation from the code provision A.2.1 of the CG Code, that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. During the Period, Mr. Luk Wing Ming acted as both our Chairman and Co-CEO, responsible for strategic development and business operations. Our Board believes that this arrangement will improve the efficiency of our decision making and execution process. Further, the Group has put in place an appropriate check-and-balance mechanism through our Board (the “**Board**”) and the independent non-executive Directors (“**INEDs**”). In light of the above, our Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in the circumstance of the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code during the Period under review.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the review and supervision of the Group’s financial reporting process and internal control measures. For the Period under review, the audit committee comprised of INEDs of the Company, namely, Mr. Tsui Yung Kwok, Mr. Yu Hong and Mr. Jiang Yongwei. 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the Company’s 2018 annual report are set out below:

Mr. Tsui Yung Kwok has retired as the independent non-executive director, chairman of audit committee, member of remuneration and nomination committee of 361 Degrees International Limited (stock code:1361) with effect from 20 May 2019.

Other than those disclosed above, there is no other information in respect of the above Director and any other Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Unaudited	
		Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
REVENUE	5	1,091,468	875,836
Cost of sales		(855,359)	(690,882)
Gross profit		236,109	184,954
Other income and gains	5	9,622	4,296
Selling and distribution expenses		(24,663)	(18,663)
Administrative expenses		(127,684)	(77,557)
Other expenses		(3,877)	(2,853)
Finance costs	7	(18,524)	(11,575)
PROFIT BEFORE TAX	6	70,983	78,602
Income tax expense	8	(8,163)	(9,553)
PROFIT FOR THE PERIOD		62,820	69,049
EARNINGS PER SHARE (RMB cents)			
Basic	10	6.1	9.2
Diluted	10	6.0	9.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	56,709	37,022
Other intangible assets	12	12,326	13,957
Right-of-use assets		31,414	–
Investment in an associate		10,000	–
Deferred tax assets		14,165	9,605
Advance payments for property, plant and equipment		5,792	4,248
Total non-current assets		130,406	64,832
CURRENT ASSETS			
Inventories	13	604,582	464,234
Trade and notes receivables	14	762,409	723,395
Prepayments, other receivables and other assets	15	142,394	63,446
Financial assets at fair value through profit or loss		500	–
Financial assets at amortized cost		306	–
Pledged deposits	16	33,220	31,031
Cash and cash equivalents	16	553,562	625,718
Total current assets		2,096,973	1,907,824
CURRENT LIABILITIES			
Trade payables	17	154,744	171,502
Other payables and accruals	18	371,984	275,105
Derivative financial instruments		1,017	191
Interest-bearing bank and other loans	19	486,566	374,727
Tax payable		13,092	5,530
Lease liabilities		12,948	–
Government grants	20	456	456
Total current liabilities		1,040,807	827,511
NET CURRENT ASSETS		1,056,166	1,080,313
TOTAL ASSETS LESS CURRENT LIABILITIES		1,186,572	1,145,145
NON-CURRENT LIABILITIES			
Lease liabilities		18,326	–
Government grants	20	2,179	2,407
Total non-current liabilities		20,505	2,407
Net assets		1,166,067	1,142,738
EQUITY			
Equity attributable to owners of the parent			
Share capital	21	8,816	8,816
Reserves		1,157,251	1,133,922
Total equity		1,166,067	1,142,738

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent							
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Statutory surplus reserves RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total Equity RMB'000
For the six months ended 30 June 2018								
(unaudited)								
At 1 January 2018	-*	-	-	7,155	17,733	(2,176)	405,478	428,190
Effect of adoption of HKFRS 9	-	-	-	-	-	-	(653)	(653)
Effect of adoption of HKFRS 15	-	-	-	-	-	-	(1,248)	(1,248)
At 1 January 2018	-*	-	-	7,115	17,773	(2,176)	403,577	426,289
Profit for the period	-	-	-	-	-	-	69,049	69,049
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	734	-	734
Total comprehensive income for the period	-	-	-	-	-	734	69,049	69,783
Issue of shares	-*	-	-	-	-	-	-	-*
Acquisition of equity interests from the controlling shareholders	-	-	-	-	(10,000)	-	-	(10,000)
Dividends declared (note 9)	-	-	-	-	-	-	(139,929)	(139,929)
At 30 June 2018	-*	-	-	7,155	7,733	(1,442)	332,697	346,143
For the six months ended 30 June 2019								
(unaudited)								
At 1 January 2019	8,816	671,983	-	11,572	7,733	21,129	421,505	1,142,738
Profit for the period	-	-	-	-	-	-	62,820	62,820
Other comprehensive income for the period:								
Exchange differences on translation of the Company	-	-	-	-	-	1,277	-	1,277
Exchange differences on translation of foreign operations	-	-	-	-	-	321	-	321
Total comprehensive income for the period	-	-	-	-	-	1,598	62,820	64,418
Equity settled share-based payment	-	-	9,000	-	-	-	-	9,000
2018 Final dividends declared and approved (note 9)	-	-	-	-	-	-	(50,089)	(50,089)
At 30 June 2019	8,816	671,983	9,000	11,572	7,733	22,727	434,236	1,166,067

* Represents the amount less than RMB1,000.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Net cash used in operating activities	(149,913)	(21,797)
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(26,814)	(3,534)
Additions to other intangible assets	(2,971)	(4,972)
Investment in an associate	(2,000)	–
Other investing cash flows (net)	(844)	1,546
Net cash flows used in investing activities	(32,629)	(6,960)
FINANCING ACTIVITIES		
Net proceeds from bank and other loans	111,228	143,541
Payment to the controlling shareholders and entities jointly controlled by the controlling shareholders	–	(10,000)
Dividend paid	–	(31,077)
Other financing cash flows (net)	(2,277)	(2,508)
Net cash flows generated from financing activities	108,951	99,956
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(73,591)	71,199
Effect of foreign exchange rate changes, net	1,435	714
Cash and cash equivalents at beginning of period	625,718	92,252
CASH AND CASH EQUIVALENTS AT END OF PERIOD	553,562	164,165

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

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

2. BASIS OF PRESENTATION

The Group’s unaudited condensed consolidated interim financial statements (“**Financial Statements**”) for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

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

These Financial Statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

HKFRS 16 Leases

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 16 Leases (Continued)

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

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

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

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

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 16 Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 16 Leases (Continued)

Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 16 Leases (Continued)

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

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

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

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Non-current assets

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

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

Information about major customers

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, OTHER INCOME AND GAINS

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

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

* 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROFIT BEFORE TAX

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest on bank loans	9,882	5,372
Interest on discounted notes receivable	8,004	6,203
Interest on lease liabilities	638	–
	18,524	11,575

8. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the period.

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DIVIDENDS

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

On 18 January 2018, Intron Technology (China) Limited, a subsidiary of the Group, declared and approved a dividend of US\$6,200,000 (equivalent to RMB39,929,000) to the then shareholders.

On 25 January 2018, Shanghai Intron declared and approved a dividend of RMB100,000,000 to the then shareholders.

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

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of RMB30,058,000 (six months ended 30 June 2018: RMB5,399,000). The Group also disposed of certain items of property, plant and equipment at the aggregate carrying amount of RMB760,000 (six months ended 30 June 2018: RMB567,000) during the period.

12. OTHER INTANGIBLE ASSETS

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Opening net book value	13,957	14,889
Additions	1,122	3,006
Acquisition of a subsidiary	–	424
Amortization	(2,753)	(4,362)
Closing net book value	12,326	13,957

13. INVENTORIES

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Semiconductor devices and electronic components	604,582	464,234

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE AND NOTES RECEIVABLES

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

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

Included in the Group's trade and notes receivables are amounts due from the Group's related parties of RMB28,166,000 as at 30 June 2019 (31 December 2018: RMB21,796,000), which are repayable on credit terms similar to those offered to the other customers of the Group.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Prepayments	115,108	27,909
Prepayment to a related party	–	1,072
Prepaid expenses	1,041	2,570
Due from related parties	–	1,132
Interest receivables	702	1,131
Other tax recoverable	–	226
Deposits and other receivables	25,543	29,406
	142,394	63,446

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Cash and bank balances	286,678	274,343
Non-pledged time deposits with original maturity of less than three months when acquired	266,884	351,375
Pledged time deposits	33,220	31,031
	586,782	656,749
Less: Pledged time deposits – Pledged for bank borrowings (note 19)	(33,220)	(31,031)
Cash and cash equivalents	553,562	625,718

17. TRADE PAYABLES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Other payables	248,052	169,308
Dividends payable	50,139	–
Payroll and welfare payable	24,708	43,351
Contract liabilities	7,373	7,300
Taxes payable other than corporate income tax	40,413	54,653
Payables for purchase of property, plant, equipment and other intangible assets	1,299	493
	371,984	275,105

Other payables are non-interest-bearing and repayable on demand.

19. INTEREST-BEARING BANK AND OTHER LOANS

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Bank and other loans repayable: Within one year or on demand	486,566	374,727

Notes:

Certain of the Group's bank loans are secured by:

- (i) mortgage over the Group's building, which had an aggregate net carrying value of RMB567,000 as at 30 June 2019 (31 December 2018: Nil);
- (ii) the pledges over certain of the Group's trade receivables amounting to RMB7,402,000 as at 30 June 2019 (31 December 2018: RMB13,621,000); and
- (iii) the pledges over certain of the Group's time deposits amounting to RMB33,220,000 as at 30 June 2019 (31 December 2018: RMB31,031,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. GOVERNMENT GRANTS

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Current	456	456
Non-current	2,179	2,407

The grants related to the subsidies received from the government for the purpose of compensation for expenses arising from research and development and improvement of manufacturing facilities on certain special projects. Upon completion of the related projects and having passed the final assessment of the relevant government authorities, the grants related to the expense items would be recognized as other income directly in the statements of profit or loss and the grants related to an asset would be released to the statement of profit or loss over the expected useful life of the relevant asset.

21. SHARE CAPITAL

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other loans are included in note 19 to these Financial Statements.

23. MATERIAL RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these Financial Statements, the Group had the following transactions with related parties for the period:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Sales of products and services to:		
United Trinity Electronics Company Limited ("UTE")*	20,780	23,143

* The sales of products to related parties were made according to the published prices and conditions offered to the major customers of the Group.

- (b) Compensation of key management personnel of the Group:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Salaries, allowances and benefit in kind	10,516	6,644
Pension scheme contributions	194	165
Equity-settled share option expenses	1,672	–
Total compensation paid to key management personnel	12,382	6,809

24. EVENTS AFTER THE REPORTING PERIOD

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

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

Hong Kong, 28 August 2019

As at the date of this report, 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.