



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

2021

INTERIM REPORT

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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. Ng Ming Chee

AUTHORIZED REPRESENTATIVES

Mr. Ng Ming Chee

M. Luk Wing Ming

AUDIT COMMITTEE

Mr. Tsui Yung Kwok (*Chairman*)

Mr. Yu Hong

Mr. Jiang Yongwei

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

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Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

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

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, Intron Technology Holdings Limited (the "**Company**", together with its subsidiaries, 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 first half of 2021. For the six months ended 30 June 2021 (the "**Period**" or "**Period under review**"), 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 capitalised 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 | | Year-on-year Change |
|----------------------------------|--------------------------|----------------|------------------------|
| | 2021 | 2020 | |
| 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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). As at 30 June 2021, no forfeited contributions were available to the Group to reduce the existing level of contributions (as at 31 December 2020: nil).

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 as at 30 June 2021 (as at 31 December 2020: nil).

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 | |

MANAGEMENT DISCUSSION AND ANALYSIS

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 aggregate nominal value of the placing shares is HK\$450,000 and the closing price as quoted on the Stock Exchange on 26 January 2021, being the date of the placing agreement, is HK\$8.51 per Share. The net price per such placing share is approximately HK\$6.73. 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.

During the Period, the net proceeds from the Placing have been used for the purpose consistent with that disclosed on the aforementioned announcements. 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.

DISCLOSURE OF INTERESTS

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

As at 30 June 2021, 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) | 48.43% |
| Treasure Map Ventures Limited (“ Treasure Map ”) ^(4 & 5) | Beneficial owner | 75,000,000 (L) | 6.92% |
| Heroic Mind Limited (“ Heroic Mind ”) ^(6 & 7) | Beneficial owner | 75,000,000 (L) | 6.92% |
| FIL Limited ⁽⁸⁾ | Interest in controlled corporations | 75,311,000 (L) | 6.95% |
| Pandanus Associates Inc. (“ Pandanus Associates ”) ⁽⁸⁾ | Interest in controlled corporations | 75,311,000 (L) | 6.95% |
| Pandanus Partners L.P. (“ Pandanus Partners ”) ⁽⁸⁾ | Interest in controlled corporations | 75,311,000 (L) | 6.95% |
| Fidelity China Special Situations PLC (“ Fidelity China ”) | Beneficial owner | 75,186,000 (L) | 6.94% |
| Zenith Benefit Investments Limited (“ Zenith Benefit ”) ^(3, 5 & 7) | Beneficial owner | 57,330,000 (L) | 5.29% |

DISCLOSURE OF INTERESTS

Notes:

1. The letter "L" denotes long position of the shares.
2. 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.
3. Zenith Benefit is a corporate controlling shareholder legally and beneficially owned by both Mr. Luk and Mr. Chan in equal shares.
4. Treasure Map is a corporate controlling shareholder legally and beneficially owned as to 100.0% by Mr. Luk.
5. 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 657,330,000 Shares directly held by the aforesaid three holding companies.
6. Heroic Mind was a corporate controlling shareholder legally and beneficially owned as to 100.0% by Mr. Chan.
7. 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 657,330,000 Shares directly held by the aforesaid three holding companies.
8. FIL Limited owned 100.0% of FIL Investment Management (Hong Kong) Limited, which is interested in 75,311,000 Shares. FIL Limited is owned as to 37.01% 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 75,311,000 Shares held by FIL Investment Management (Hong Kong) Limited.

Save as disclosed above, as at 30 June 2021, 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.

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

As at 30 June 2021, 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

| Name of Shareholder | Nature of Interest | Number of securities held ⁽¹⁾ | Approximate shareholding percentage (%) |
|------------------------------|-------------------------------------|--|---|
| Mr. Luk ⁽²⁾ | Interest of controlled corporations | 657,330,000 (L) | 60.64% |
| Mr. Chan ⁽³⁾ | Interest of controlled corporations | 657,330,000 (L) | 60.64% |
| Ms. Zhang Dan ⁽⁴⁾ | Interest of spouse | 657,330,000 (L) | 60.64% |
| Ms. Zhang Hui ⁽⁵⁾ | Interest of spouse | 657,330,000 (L) | 60.64% |
| Mr. Chan Ming | Beneficial owner | 2,000,000 (L) | 0.18% |
| Mr. Ng Ming Chee | Beneficial owner | 2,000,000 (L) | 0.18% |

Notes:

- The letter "L" denotes long position of the shares.
- 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 657,330,000 Shares directly held by the aforesaid three holding companies.
- 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 657,330,000 Shares directly held by the aforesaid three holding companies.
- 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 657,330,000 Shares in which Mr. Luk is interested.
- 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 657,330,000 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 2021 | Number of share options | | | | Balance as at 30 June 2021 | Exercise price per share HK\$ |
|--------------------|-----------------|---------------------------------------|---------------------------------------|---------------------------------|-----------------------------------|--|-----------------------------------|-------------------------------------|--|
| | | | | Granted during the Period | Exercised during the Period | Lapsed/ Forfeited during the Period | Cancelled during the Period | | |
| Mr. Chan Ming | 21 January 2019 | 1 January 2020 to 31 December 2025 | 1,550,000 | - | - | - | - | 1,550,000 | 2.662 |
| | 18 May 2021 | 1 June 2022 to 31 May 2028 | - | 200,000 | - | - | - | 200,000 | 4.25 |
| Mr. Ng Ming Chee | 21 January 2019 | 1 January 2020 to 31 December 2025 | 1,500,000 | - | - | - | - | 1,500,000 | 2.662 |
| | 18 May 2021 | 1 June 2022 to 31 May 2028 | - | 160,000 | - | - | - | 160,000 | 4.25 |
| Mr. Jiang Yongwei | 21 January 2019 | 1 January 2020 to 31 December 2025 | 50,000 | - | - | - | - | 50,000 | 2.662 |
| | 18 May 2021 | 1 June 2022 to 31 May 2028 | - | 40,000 | - | - | - | 40,000 | 4.25 |
| Mr. Tsui Yung Kwok | 21 January 2019 | 1 January 2020 to 31 December 2025 | 50,000 | - | - | - | - | 50,000 | 2.662 |
| | 18 May 2021 | 1 June 2022 to 31 May 2028 | - | 40,000 | - | - | - | 40,000 | 4.25 |
| Mr. Yu Hong | 21 January 2019 | 1 January 2020 to 31 December 2025 | 50,000 | - | - | - | - | 50,000 | 2.662 |
| | 18 May 2021 | 1 June 2022 to 31 May 2028 | - | 40,000 | - | - | - | 40,000 | 4.25 |

Save as disclosed above, as at 30 June 2021, 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 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. 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 9.22% 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.

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 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.

DISCLOSURE OF INTERESTS

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 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 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.

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 | Number of share options | | | Balance as at 30 June 2021 | Exercise price per share HK\$ | |
|---|----------------------------------|---|---------------------------------------|---------------------------------|-----------------------------------|--|-------------------------------------|--|-----------------------------------|
| | | | | Granted during the Period | Exercised during the Period | Lapsed/ forfeited during the Period | | | Cancelled during the Period |
| Executive Directors ⁽⁷⁾ | 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 ⁽⁷⁾ | 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 ⁽⁸⁾ | - | 108,000 | 2,194,700 | 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 | |

DISCLOSURE OF INTERESTS

Notes:

- (1) The closing prices of the Shares 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 Granted Options shall be exercisable on a cumulative basis.
- (3) The closing prices of the Shares 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 Granted Options shall be exercisable on a cumulative basis.
- (5) The closing prices of the Shares 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 Granted Options shall be exercisable on a cumulative basis.
- (7) Details of share options granted to the Directors are disclosed in the section headed “Directors’ and chief executive’s interests and short positions in Shares and underlying shares” above.
- (8) The weighted average closing price of the Shares immediately before the dates on which the Granted Options were exercised was HK\$6.45.

OTHER INFORMATION

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 report. 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

| | Notes | Unaudited Six months ended 30 June | |
|---------------------------------------|-------|---------------------------------------|-----------------|
| | | 2021 RMB'000 | 2020 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 | 7 | (11,155) | (9,586) |
| Share of loss of an associate | | (307) | (403) |
| PROFIT BEFORE TAX | 6 | 66,736 | 47,730 |
| Income tax expense | 8 | (3,299) | (2,781) |
| PROFIT FOR THE PERIOD | | 63,437 | 44,949 |
| EARNINGS PER SHARE (RMB cents) | | | |
| Basic | 10 | 5.90 | 4.34 |
| Diluted | 10 | 5.82 | 4.34 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | Notes | As at 30 June 2021 (unaudited) RMB'000 | As at 31 December 2020 (audited) RMB'000 |
|--|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 157,728 | 154,128 |
| Right-of-use assets | | 22,603 | 22,940 |
| Other intangible assets | 12 | 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 |
| Total non-current assets | | 452,637 | 359,527 |
| CURRENT ASSETS | | | |
| Inventories | 13 | 398,838 | 447,456 |
| Trade and notes receivables | 14 | 791,250 | 782,948 |
| Contract assets | | – | 1,052 |
| Prepayments, other receivables and other assets | 15 | 48,377 | 39,586 |
| Financial assets at fair value through profit or loss | | 3,000 | – |
| Pledged deposits | 16 | 30,695 | 35,548 |
| Cash and cash equivalents | 16 | 673,268 | 388,261 |
| Total current assets | | 1,945,428 | 1,694,851 |
| CURRENT LIABILITIES | | | |
| Trade and notes payables | 17 | 126,253 | 74,487 |
| Other payables and accruals | 18 | 169,641 | 221,310 |
| Interest-bearing bank and other loans | 19 | 469,100 | 433,075 |
| Tax payable | | 14,110 | 5,811 |
| Lease liabilities | | 11,435 | 11,807 |
| Government grants | 20 | 2,200 | 152 |
| Total current liabilities | | 792,739 | 746,642 |
| NET CURRENT ASSETS | | 1,152,689 | 948,209 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,605,326 | 1,307,736 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | Notes | As at 30 June 2021 (unaudited) RMB'000 | As at 31 December 2020 (audited) RMB'000 |
|---|-------|---|---|
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 12,480 | 11,894 |
| Government grants | 20 | 1,330 | 3,930 |
| Total non-current liabilities | | 13,810 | 15,824 |
| Net assets | | 1,591,516 | 1,291,912 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 21 | 9,217 | 8,816 |
| Reserves | | 1,582,299 | 1,283,096 |
| Total equity | | 1,591,516 | 1,291,912 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

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 2020 | | | | | | | | |
| (unaudited) | | | | | | | | |
| At 1 January 2020 | 8,816 | 671,983 | 13,891 | 13,999 | 7,733 | 35,724 | 487,702 | 1,239,848 |
| Profit for the period | - | - | - | - | - | - | 44,949 | 44,949 |
| Other comprehensive income for the period: | | | | | | | | |
| Exchange differences on translation of the Company | - | - | - | - | - | (3,573) | - | (3,573) |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (7) | - | (7) |
| Total comprehensive income for the period | - | - | - | - | - | (3,580) | 44,949 | 41,369 |
| Equity-settled share option arrangements | - | - | 3,783 | - | - | - | - | 3,783 |
| 2019 Final dividends declared and approved (note 9) | - | - | - | - | - | - | (36,194) | (36,194) |
| At 30 June 2020 | 8,816 | 671,983 | 17,674 | 13,999 | 7,733 | 32,144 | 496,457 | 1,248,806 |
| For the six months ended 30 June 2021 | | | | | | | | |
| (unaudited) | | | | | | | | |
| At 1 January 2021 | 8,816 | 671,983 | 19,245 | 13,999 | 7,733 | 23,828 | 546,308 | 1,291,912 |
| Profit for the period | - | - | - | - | - | - | 63,437 | 63,437 |
| Other comprehensive income for the period: | | | | | | | | |
| Exchange differences on translation of the Company | - | - | - | - | - | (8,095) | - | (8,095) |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 9,188 | - | 9,188 |
| Total comprehensive income for the period | - | - | - | - | - | 1,093 | 63,437 | 64,530 |
| Equity-settled share option arrangements | - | - | 4,294 | - | - | - | - | 4,294 |
| Shares issued under share option scheme (note 21(a)) | 26 | 9,583 | (2,793) | - | - | - | - | 6,816 |
| Shares issued upon placement (note 21(b)) | 375 | 252,236 | - | - | - | - | - | 252,611 |
| 2020 Final dividends declared and approved (note 9) | - | - | - | - | - | - | (28,647) | (28,647) |
| At 30 June 2021 | 9,217 | 933,802 | 20,746 | 13,999 | 7,733 | 24,921 | 581,098 | 1,591,516 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| OPERATING ACTIVITIES | | |
| Net cash flows from operating activities | 101,095 | 114,494 |
| INVESTING ACTIVITIES | | |
| Purchases of items of property, plant and equipment | (18,961) | (24,616) |
| Additions to other intangible assets | (45,507) | (28,565) |
| Purchase of a shareholding in an associate | (2,000) | (5,000) |
| Purchase of financial assets at fair value through profit or loss | (42,229) | – |
| Purchase of equity investments designated at fair value through other comprehensive income | (495) | – |
| Other investing cash flows (net) | 29 | 1,188 |
| Net cash flows used in investing activities | (109,163) | (56,993) |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares upon placement | 252,611 | – |
| Proceeds from issuance of shares upon exercise of share options | 6,816 | – |
| Net proceeds from bank and other loans | 38,573 | (38,106) |
| Increase in pledged deposits | 4,853 | (25,968) |
| Other financing cash flows (net) | (7,669) | (8,135) |
| Net cash flows from/(used in) financing activities | 295,184 | (72,209) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 287,116 | (14,708) |
| Effect of foreign exchange rate changes, net | (2,109) | (3,839) |
| Cash and cash equivalents at beginning of period | 388,261 | 497,331 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 673,268 | 478,784 |

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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, financial assets at fair value through other comprehensive income, equity investments 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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

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

(b) Non-current assets

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

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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 | |
|------------|---------------------------------------|-----------------|
| | 2021 RMB'000 | 2020 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 RMB'000 | 2020 RMB'000 |
| (i) Revenue from contracts with customers | | |
| – Sale of products | 1,313,247 | 854,522 |
| – Rendering of consulting services | 7,322 | 9,857 |
| | 1,320,569 | 864,379 |
| (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 |
| | 12,192 | 9,857 |
| (iii) Gains | | |
| Gain on disposal of items of property, plant and equipment | 5 | 73 |
| | 12,197 | 9,930 |

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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. FINANCE COSTS

An analysis of finance costs is as follows:

| | Unaudited Six months ended 30 June | |
|---|---------------------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Interest on bank loans | 4,804 | 6,610 |
| Interest on discounted notes receivable | 5,523 | 2,309 |
| Interest on lease liabilities | 828 | 667 |
| | 11,155 | 9,586 |

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 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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8. INCOME TAX (CONTINUED)

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

| | Unaudited Six months ended 30 June | |
|---------------------------------|---------------------------------------|-----------------|
| | 2021 RMB'000 | 2020 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) |
| Total tax charge for the period | 3,299 | 2,781 |

9. 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.

10. 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 share issued under share option scheme | 2,523,000 | – |
| Effect of shares issued upon placement | 36,796,000 | – |
| Weighted average number of ordinary shares at 30 June | 1,075,294,000 | 1,035,975,000 |

(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 | – |
| Weighted average number of ordinary shares (diluted) at 30 June | 1,090,062,000 | 1,035,975,000 |

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of RMB18,893,000 (six months ended 30 June 2020: RMB26,445,000). The Group also disposed of certain items of property, plant and equipment at the aggregate carrying amount of RMB773,000 (six months ended 30 June 2020: RMB537,000) during the period.

12. OTHER INTANGIBLE ASSETS

| | As at 30 June 2021 (unaudited) RMB'000 | As at 31 December 2020 (audited) RMB'000 |
|----------------------------------|--|--|
| Opening net book value | 125,913 | 51,170 |
| Additions – internal development | 47,334 | 71,710 |
| Additions | 2,233 | 13,332 |
| Amortization | (5,778) | (10,299) |
| Closing net book value | 169,702 | 125,913 |

13. INVENTORIES

| | As at 30 June 2021 (unaudited) RMB'000 | As at 31 December 2020 (audited) RMB'000 |
|---|--|--|
| Semiconductor devices and electronic components | 398,838 | 447,456 |

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. 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 |
| | 800,239 | 791,704 |
| Impairment | (8,989) | (8,756) |
| | 791,250 | 782,948 |

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 |
| | 684,266 | 672,969 |

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | As at 30 June 2021 (unaudited) RMB'000 | As at 31 December 2020 (audited) RMB'000 |
|--------------------------------|--|--|
| Prepayments | 25,429 | 22,992 |
| Prepaid expenses | 3,933 | 2,420 |
| Interest receivables | 208 | 182 |
| Other tax recoverable | 5,236 | 7,128 |
| Deposits and other receivables | 13,571 | 6,864 |
| | 48,377 | 39,586 |

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | As at 30 June 2021 (unaudited) RMB'000 | As at 31 December 2020 (audited) RMB'000 |
|---|--|--|
| Cash and bank balances | 673,268 | 388,261 |
| Pledged time deposits | 30,695 | 35,548 |
| | 703,963 | 423,809 |
| Less: Pledged time deposits | | |
| – Pledged for bank borrowings (note 19) | (25,441) | (30,151) |
| – Pledged for letter of guarantee | (2,070) | (2,035) |
| – Pledged for notes payable | (1,494) | (1,694) |
| – Pledged for letter of credit | (1,690) | (1,668) |
| Cash and cash equivalents | 673,268 | 388,261 |

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. 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 |
| | 126,253 | 74,487 |

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 |
| | 121,308 | 69,934 |

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. OTHER PAYABLES AND ACCRUALS

| | As at 30 June 2021 (unaudited) RMB'000 | As at 31 December 2020 (audited) RMB'000 |
|---|--|--|
| Other payables | 32,859 | 121,673 |
| Dividends payable | 28,865 | – |
| Taxes payable other than corporate income tax | 19,344 | 22,560 |
| Payroll and welfare payable | 50,323 | 57,495 |
| Contract liabilities | 36,927 | 16,117 |
| Payables for purchase of property, plant, equipment and other intangible assets | 1,323 | 3,465 |
| | 169,641 | 221,310 |

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

19. INTEREST-BEARING BANK AND OTHER LOANS

| | As at 30 June 2021 (unaudited) RMB'000 | As at 31 December 2020 (audited) RMB'000 |
|---|--|--|
| Bank and other loans repayable: Within one year or on demand | 469,100 | 433,075 |

Note:

Certain of the Group's bank loans are secured by the pledges over certain of the Group's time deposits amounting to RMB25,441,000 as at 30 June 2021 (31 December 2020: RMB30,151,000).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. GOVERNMENT GRANTS

| | As at 30 June 2021 (unaudited) RMB'000 | As at 31 December 2020 (audited) RMB'000 |
|-------------|---|---|
| Current | 2,200 | 152 |
| Non-current | 1,330 | 3,930 |

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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

21. 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 |
| | | RMB'000 |
| 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 |
| 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.

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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 | |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Sales of products and services to: | | |
| United Trinity Electronics Company Limited* | 28,431 | 23,776 |

* The sales of products to the related party 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 | |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Salaries, allowances and benefit in kind | 9,665 | 9,649 |
| Pension scheme contributions | 248 | 149 |
| Equity-settled share option expense | 475 | 746 |
| Total compensation paid to key management personnel | 10,388 | 10,545 |

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2021 are as follows:

Financial assets

| | Financial assets at fair value through other comprehensive income | | Financial assets at fair value through profits or loss | | Total RMB'000 |
|--|---|----------------------------|--|---|------------------|
| | Financial assets at amortised cost RMB'000 | Debt investment RMB'000 | Equity investment RMB'000 | Mandatorily designated as such RMB'000 | |
| Equity investments at fair value through other comprehensive income | - | - | 995 | - | 995 |
| Trade and notes receivables | 684,265 | 106,985 | - | - | 791,250 |
| Financial assets included in prepayments, other receivables and other assets | 13,779 | - | - | - | 13,779 |
| Financial assets at fair value through profits or loss | - | - | - | 57,229 | 57,229 |
| Pledged deposits | 30,695 | - | - | - | 30,695 |
| Cash and cash equivalents | 673,268 | - | - | - | 673,268 |
| | 1,402,007 | 106,985 | 995 | 57,229 | 1,567,216 |

Financial liabilities

| | Financial liabilities at amortised cost RMB'000 |
|---|--|
| Trade and notes payables | 126,253 |
| Financial liabilities included in other payables and accruals | 63,047 |
| Interest-bearing bank and other loans | 469,100 |
| Lease liabilities | 23,915 |
| | 682,315 |

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at 31 December 2020 are as follows:

Financial assets

| | Financial assets at amortised cost RMB'000 | Debt investment RMB'000 | Equity investment RMB'000 | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profits or loss | Total RMB'000 |
|--|---|----------------------------|------------------------------|---|--|------------------|
| Equity investments at fair value through other comprehensive income | - | - | 995 | - | - | 995 |
| Trade and notes receivables | 672,969 | 109,979 | - | - | - | 782,948 |
| Contract assets | 1,052 | - | - | - | - | 1,052 |
| Financial assets included in prepayments, other receivables and other assets | 7,046 | - | - | - | - | 7,046 |
| Financial assets at fair value through profits or loss | - | - | - | - | 15,000 | 15,000 |
| Pledged deposits | 35,548 | - | - | - | - | 35,548 |
| Cash and cash equivalents | 388,261 | - | - | - | - | 388,261 |
| | 1,104,876 | 109,979 | 995 | - | 15,000 | 1,230,850 |

Financial liabilities

| | Financial liabilities at amortised cost RMB'000 |
|---|--|
| Trade and notes payables | 74,487 |
| Financial liabilities included in other payables and accruals | 125,138 |
| Interest-bearing bank and other loans | 433,075 |
| Lease liabilities | 23,701 |
| | 656,401 |

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade and notes receivables, financial assets included in prepayment, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank and other loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with banks. Derivative financial instruments, such as forward currency contracts, are measured using valuation technique similar to the forward pricing model, using present value calculation. The model incorporates various market observable inputs including foreign exchange spot and forward rates and the discount factor. The carrying amounts of forward currency contracts are the same as their fair values.

The fair values of unlisted equity investments designated at fair value through other comprehensive income and classified as financial assets at fair value through profit and loss have been estimated using a market based valuation technique such as, recent transaction method.

The fair values of the notes receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 as at 30 June 2021 have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within one year, and thus their fair values approximate to their carrying values.

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021

| | Fair value measurement using | | | Total RMB'000 |
|--|--|--|--|------------------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Notes receivable | – | 106,985 | – | 106,985 |
| Equity investments designated at fair value through other comprehensive income | – | – | 995 | 995 |
| Financial assets at fair value through profit or loss | – | – | 57,229 | 57,229 |
| Total | – | 106,985 | 58,224 | 165,209 |

As at 31 December 2020

| | Fair value measurement using | | | Total RMB'000 |
|--|--|--|--|------------------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Notes receivable | – | 109,979 | – | 109,979 |
| Equity investments designated at fair value through other comprehensive income | – | – | 995 | 995 |
| Financial assets at fair value through profit or loss | – | – | 15,000 | 15,000 |
| Total | – | 109,979 | 15,995 | 125,974 |

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).

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 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.