



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



2024

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

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Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong Science Park, Pak Shek Kok,
Shatin, New Territories, Hong Kong

COMPANY SECRETARY

Mr. Ng Ming Chee

AUTHORIZED REPRESENTATIVES

Mr. Ng Ming Chee
Mr. Luk Wing Ming

AUDIT COMMITTEE

Mr. Tsui Yung Kwok (*Chairman*)
Mr. Jiang Yongwei
Mr. Yu Hong

REMUNERATION COMMITTEE

Mr. Jiang Yongwei (*Chairman*)
Mr. Yu Hong
Mr. Chan Cheung Ngai

NOMINATION COMMITTEE

Mr. Luk Wing Ming (*Chairman*)
Mr. Jiang Yongwei
Mr. Tsui Yung Kwok

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Luk Wing Ming (*Chairman*)
Mr. Chan Ming
Mr. Ng Ming Chee

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKERS

Bank of China
Bank of Shanghai
Bank of China (Hong Kong) Limited
BNP Paribas
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

1760

WEBSITE

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MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In the first half of 2024, China's automotive market as a whole showed a recovery trend, and the sales continued to grow. Meanwhile, the competition in the industry has been further intensified, and the price war has escalated, imposing pressure on the overall gross profit margin of automobile companies. In the face of fierce market competition, the Group continued to enhance its product competitiveness by virtue of its technological advantages and achieved growth in both shipments and performance in the first half of 2024. According to the data published by the China Association of Automobile Manufacturers ("**CAAM**"), in the first half of 2024, the sales volume of automotive vehicles of the PRC increased year-on-year by 6.1% to 14.04 million units. Among them, the domestic sales reached 11.25 million units, representing a year-on-year increase of 1.4%, and the export sales reached 2.79 million units, representing a year-on-year increase of 30.5%, showing a slowdown in sales growth in the domestic market and a stable growth in exports. The sales volume of new energy vehicles reached 4.94 million units, representing a year-on-year increase of 32%, of which the domestic sales volume of new energy vehicles reached 4.33 million units, representing a year-on-year increase of 35.1%, and the export volume of new energy vehicles reached 605,000 units, representing a year-on-year increase of 13.2%. For the six months ended 30 June 2024 (the "**Period**" or "**Period under review**"), the Group recorded stable growth in performance with an increase of 8% in its turnover, outperforming the market, as well as a year-on-year increase of 15.9% in the turnover of its new energy segment, and a year-on-year increase of 13.0% in the turnover of automated & connected vehicles segment.

As a leading provider of automotive electronic solutions in China, the Group, leveraging on its strong R&D capabilities and quality product performance as well as excellent system integration and testing and verification capabilities, helped OEMs to implement highly cost-effective mass production programs and facilitate the business penetration. The new energy segment and intelligent driving business continued to be the main driver of revenue and earnings growth for the Group, driving its business to outperform the industry level.

In the first half of 2024, the tight supply of automotive semiconductor had been effectively eased, but automobile companies had fully recognized the necessity of maintaining a variety of semiconductor supply solutions. With over 20 years of extensive experience in the field of automotive electronics, electrification and intelligence, the Group had not only maintained a solid and close long-term cooperative relationship with the world's leading semiconductor suppliers, but also relied on its excellent R&D capabilities and complete product offerings to effectively empower domestic semiconductors and accelerate their application in the domestic automotive market. Besides, the Group has established a long-term good cooperative relationship with customers during the previous semiconductor shortage, which laid a more solid foundation for the sustainable development of the Group in the future.

Research and development ("**R&D**") remains an important driver of the Group's business growth. During the Period, the Group continued to enhance its R&D strength, continued to invest in R&D and maintain a high-level scientific and technological talent team, empowered the development of enterprises with technologies, and further consolidated its leading position in technology, with promising prospect and trend for future development.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the Group continued to grasp market trends and entered a new phase of growth. With its early strategic layout and technological R&D inputs, the Group has maintained strong R&D and industrialization capabilities in the field of new energy vehicles, helping OEMs and their parts suppliers to achieve cost-effective mass production solutions. The Group's sales revenue is classified as follows:

New Energy	– Core solutions related to electric vehicles, plug-in hybrid electric vehicles and hydrogen fuel-cell vehicles, including solutions related to core electric powertrain control systems and thermal management systems
Body Control	– Electronic solutions for body control systems
Safety	– Solutions related to safety systems
Powertrain	– Solutions related to powertrain systems
Automated & Connected Vehicles	– Core solutions related to intelligent driving and connected automotive, such as Advanced Driver-assistance System/Automated Driving System (“ ADAS/AD ”)
Cloud Server	– Electronic solutions related to power management of data centers/cloud servers
Rendering of Services & Others	– R&D services and other income

In the first half of 2024, the Group's overall results outperformed the market, and the total revenue increased by approximately 8% year-on-year to RMB2.84 billion, which was mainly driven by the growth of new energy vehicles and automated & connected vehicles segments. Among them, the revenue of new energy vehicles during the Period increased by 15.9%, accounting for 51.2% of the Company's overall revenue. The Group's body control system and automated & connected vehicles business segments recorded growth of 1.4% and 13% respectively, while the safety systems and powertrain system businesses declined by approximately 8.9% and 26.3%. The cloud server segment, which accounted for a relatively small proportion of the Group's revenue, recorded a year-on-year increase of 24.9% in its business revenue due to the widespread application of AI technology and an increase in market demand for cloud servers.

During the Period under review, in view of the continued fierce competition in the automotive industry and continued pressure on the gross profit margin, the Group adjusted prices correspondingly, reducing its gross profit margin as a means to tide over the challenging times together with downstream customers, and this deepened cooperation with upstream and downstream partners as a result. During the Period, the Group recorded a gross profit of RMB452.0 million, decreased by 16.5% from the same period last year, and a gross profit margin of 15.9%, declined by 4.7 percentage points from the same period last year. The Group continued to consolidate its R&D technology to maintain its competitive edge and stabilize its market shares.

During the Period under review, the Group continued to invest in R&D with a development policy of “asset-light, research-heavy”, continuously enhanced its R&D strength and seized medium and long-term growth opportunities. During the Period, the Group maintained the total R&D expenses of RMB215.0 million, accounting for 7.6% of total revenue.

During the Period under review, finance costs increased by 21.6% over the previous year because the Company appropriately increased its current loans during the reporting period to support its business development and ensure sufficient working capital to cope with potential market fluctuations. This guaranteed the Company's liquidity and market resilience, but increased the corresponding financing costs.

During the Period under review, OEMs and their tier 1 suppliers were our major end customers, including China's top 10 new energy passenger vehicle brands, which promoted the Group's entry into overseas markets along with Chinese automobile brands. In the first half of 2024, the Group continued to capture market share to meet the challenges posed by intense competition and rising interest rates. The profit attributable to shareholders for the year amounted to RMB97.7 million, compared to RMB154.5 million for the same period last year, and the net profit margin for the first half of 2024 was 3.4%.

New Energy Vehicles Core Solutions

Benefiting from the continued increase in market penetration and total volume of new energy vehicles, which led to the growth of Battery Management System ("**BMS**"), Microcontroller Unit ("**MCU**") and other electronic control solutions other than vehicle control units, the solutions of the Group's new energy business continued to benefit and expanded market share, maintaining a strong growth momentum and bringing desirable performance to the Group's revenue in the first half of 2024.

The Group increased its market share of hybrid electric vehicles in addition to its original customer base, which led to the growth of this business segment, including major customers such as SERES and BYD; New projects such as GAC passenger vehicles and GAC Aion successively increased in volume, which also brought support for business growth, and such growth will continue. In addition, the continuous mass production of new energy on-board charger (OBC) projects by major customers such as VMAX and VREMT in various vehicle manufacturers also provided a new growth point for this business segment. For the six months ended 30 June 2024, the revenue from such business segment increased by 15.9% year-on-year to RMB1,452.6 million, maintaining rapid growth.

The new solutions developed by the Group, the core component "Motor Control Unit Power Brick", has reached the industry-leading level in key indicators such as power density, integration and reliability. This product will gradually enter the mass delivery stage at the end of this year to help vehicle manufacturers further improve the power, mileage and safety of its products, and reduce the cost of the vehicle system. In the future, the Company, as the first domestic enterprise that can achieve the mass production of motor control unit power bricks, will continue to play its advantages in providing advanced solution services, further enhance market penetration, and promote the high-quality development of the new energy automotive industry. Such product solutions will further increase the value of single vehicle, which the Company believes will become a new growth point for future performance.

In the field of new energy thermal management, the Company steadily increased its share in the domestic market, with its end users covering mainstream brands in Japan and Europe. In terms of overseas projects, the Company developed PTC solutions for well-known European automobile companies, and also developed electronic oil pump controllers for international Japanese Tier 1.



MANAGEMENT DISCUSSION AND ANALYSIS

Body Control/Safety/Powertrain Solutions

In the first half of 2024, the body control system business recorded a year-on-year growth of 1.4% to RMB422.7 million, accounting for 14.9% of total revenue; the revenue from powertrain system and safety system solutions decreased by 26.3% and 8.9% respectively, accounting for 5.7% and 12.5% of the Group's total revenue, mainly due to the improvement of the semiconductor shortage in the first half of 2024; Besides, affected by multiple factors at home and abroad, the commercial vehicle market in China experienced fluctuations and adjustments, so that although the Group was able to maintain its shares in local clients, the related revenue was inevitably affected.

Automated & Connected Vehicles Solutions

During the Period under review, the revenue from automated & connected vehicles business amounted to RMB229.9 million, representing an increase of 13% over the same period last year, and the proportion of total revenue increased from 7.7% in the same period last year to 8.1%, mainly due to an increase in the market share of all-in-one machines and L2+ domain controllers, as well as the continuous mass production of self-developed projects led by OEMs. This business segment will play an important part in the future development of the Group. The main end customers include the leading new energy vehicle brands in the market, including Chery, STERRA, DONGFENG, ZEEKR, XPENG, Li Auto, etc.

During the Period under review, the Group had been actively engaged in the development of solutions related to Horizon's Cooperative Journey ®6 processors and expected to introduce a series of corresponding solutions to the market by the end of this year at the earliest or early next year. The Group further expanded its business cooperation areas and launched related ADAS product solutions in cooperation with AXERA, a domestic semiconductor company. In terms of overseas business, in addition to expanding business overseas along with local automobile companies, the Group had obtained the intelligent driving development cooperation project with a Japanese leading Tier 1, and successfully established a long-term cooperative relationship; In addition, the Group had also reached an initial intention with other Japanese first-level OEMs on follow-up technical business cooperation, which was great helpful for future exports and going global.

During the Period under review, in terms of research and development of cockpit solutions, the Group developed an intelligent Camera-monitor system (CMS) solution, with an average latency of less than 40ms and a power-on startup time of less than 2 seconds, with performance indicators outperforming the national standards and the industry average. Besides, based on the time-of-flight method (ToF) 3D imaging technology, we introduced a full-stack solution of space control, which was composed of depth camera module, solution algorithm, gesture 3D reconstruction algorithm and gesture control middleware. Among them, the depth camera standard module adopts Infineon's ultra-sensitive 3D REAL3™ image sensor based on fifth-generation pixel technology, which is the world's first automotive-grade ToF sensor to meet ISO 26262 ASIL-B functional safety requirements.

Cloud Server Related Solutions

The Group's cloud server related electronics solutions mainly include power management and electronic control solutions designed for high-performance CPUs and graphic processors used in data centers and cloud servers. In the first half of 2024, the revenue from such business segment increased by 24.9% to RMB108.8 million. With the rapid development of AI technology, cloud server related solutions have increasingly become the focus of the industry. In view of the promising prospect of the global server market in the medium to long term, the Group will continue to optimize the allocation of internal resources and further increase its R&D efforts in core technologies of cloud computing.

Research and Development and Group Development

Research and development is an integral part of the Group's development strategy. With the development of electrification, intelligence and connection in the global automobile industry, the Group's outstanding technological advantages enable us to further consolidate its market position and increase its market share. In the first half of 2024, adhering to its development policy of "asset-light, research-heavy", the Group continued to invest in research and development. During the Period, R&D expenses decreased by 7.5% year-on-year to RMB215.0 million, accounting for approximately 7.6% of the Group's revenue as compared to 8.9% in the same period last year. The decrease in R&D expenses was due to the Group's optimization of R&D resources and projects to further improve its R&D efficiency and competitiveness and capture a larger market share. As at 30 June 2024, the Group had a total of 950 full-time R&D related technicians, accounting for 69% of its total workforce. During the Period, the Group owned 294 patents and 282 software copyrights, representing an increase of 38 patents and 75 software copyrights respectively as compared with the corresponding period last year.

In the field of new energy vehicles, the first phase of the comprehensive testing and verification base established by the Group in Nantong City, Jiangsu Province had been put into operation in 2023. The base had been equipped with the entire process equipment for packaging third-generation semiconductor customized power modules, as well as production equipment and testing equipment for customizing capacitors and assembling motor controllers; the high-density (28mm thickness) motor controller solutions launched by the Group had won the designated projects from leading domestic OEMs.

In terms of R&D technologies for the automated & connected vehicles, a number of the Group's all-in-one products and domain control products entered the mass delivery stage, and obtained designated projects for multiple new models from OEM clients. New models will be launched successively in 2025. During the Period under review, the Group completed the 4D millimeter wave radar solution based on waveguide antennas and took the lead in the development of a centralized radar solutions in China. Centralized radar will further improve the perception effect of radar while optimizing system costs by multiplexing domain controller computing power, thereby improving system performance. The development of large computing power domain controller solution based on the TC4D multi-core processor adopts a modular plug-and-play concept design, with highly flexible, scalable and tailorable features. Such solution can be extended to meet the safety requirements of Level-3 automated driving system, and tailored to meet the economic requirements of L2+ system. The Group had also developed a domain controller solution based on Horizon J6E/M, which is highly cost-effective for application scenarios such as NOA and will be put on the market in 2025. The Group further optimized the multi-mode integrated sensing solution and completed deployment on multiple embedded platforms such as Horizon, NVIDIA and AMD.



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In addition, the Group optimized the MCU 4th generation software platform architecture and accelerated software integration by solidifying more standard modules. The Group integrates functional safety L3 to monitor certain functions. Meanwhile, the Group continuously updated the architectural trend of EEA based on market demand, and communicated with customers' technology and procurement departments based on the requirements of vehicle series, business or products to develop complete technical solutions for relevant products and enhance its business expansion capability.

Sensor fusion, as one of core technologies in the field of automated driving, the Group was the first in the industry to complete the development of automotive-grade wireless bluetooth smart sensor solutions, including wireless millimeter wave radar and wireless temperature sensor product solutions, which solved the problem of anti-interference point of Bluetooth signal in complex electrical environment, and the problem of long-term standby with low power consumption through the development of software system and function.

In terms of R&D of smart cockpit solutions, the Group successfully mastered the tuning and configuration of 3D FACE ID based on the facial depth calculation algorithm, completed the debugging and functional testing of the depth images measurement equipment for One-BOX, and also realized the design and development of the LTS equipment. In addition, the Group further improved the development of software middleware for ToF, realized the development of various gesture functions, and reduced the dependence of system functions on recognition algorithms; also completed the acceptance of POC projects of many domestic new energy vehicle companies, and realized the 3D function demonstration in customers' vehicles and the road test of real vehicles.

In terms of supporting testing and validation for large-scale delivery, in the first half of 2024, the Group completed the equipment setup and expansion of test capacity in the first phase of Nantong R&D Center, and added testing and validation capabilities such as power cycle and thermal resistance test system and dynamic high temperature and high humidity reverse bias test system, which had been equipped the capabilities of electrical performance testing and environmental reliability testing, and was in line with the operational requirements of China National Accreditation Service for Conformity Assessment (CNAS). Regarding the electrification and intelligence of Nantong R&D center services, in terms of electrification, Nantong will serve as the Group's research base for power module packaging, and as an advanced power module packaging testing and verification, and will also become a testing and verification center for intelligent driving systems in the future.

In addition, Pujiang Laboratory passed CNAS expansion and certification, and possessed the qualification for electrical performance testing and environmental reliability testing. The Group will continue to invest in expanding and upgrading test sites, and will further expand the types and capabilities of verification to ensure the quality of final products, improve R&D efficiency and reduce R&D costs.

During the Period, the Group's R&D, Testing and Verification Center steadily improved its product testing and verification capabilities in the four main businesses including battery, motor and electrical control system of new energy vehicles, thermal management, ADAS domain controller and hydrogenated electric control, so as to cope with the testing and verification requirements brought about by an increase in business volume of the Group's main electronic control solutions and the evolution of product forms.

In order to meet the demand of customers for mass delivery and carry out in-depth cooperation with major customers, the Group will continue to build and improve solution testing capabilities in other core electronic control products of intelligent vehicles, and continue to optimize verification capabilities and facility layout in other core electronic control products of intelligent vehicles. The Company has obtained certification from BAIC, Hongqi and other enterprises, and will maintain long-term cooperation in the future.

In terms of research and development, the Group is committed to enhancing R&D capabilities and service quality, and attracting more outstanding talents. The Group's R&D Center in Hong Kong Science Park was established and officially put into operation in 2023, with its main research and development directions focusing on automated & connected vehicles software, advanced power semiconductor applications and collaborative robot solutions. The Hong Kong R&D Centre is the strategic deployment of the Group in the Greater Bay Area, enabling us to build an international talent team and cooperate with universities and enterprises to prepare for the Group's overseas expansion along with Chinese automobile brands.

In addition, the Group attaches great importance to environmental, social and governance (“ESG”). In 2023, the Group received a score of 23.7 from Sustainalytics, an international ESG rating agency, ranking among the top 44% of global enterprises in the medium risk category. In order to continuously improve ESG standards, the Group has established an ESG Board Committee, led by the chairman of the Group, to formulate relevant policies and objectives focused on technological innovation and research and development to reduce its carbon footprint.

Outlook

In the first half of 2024, due to the lack of competitive supply, removal of subsidies and other factors, the overseas new energy automotive markets (such as Europe and USA) faced growth pressure. Looking forward to the second half of 2024, European and US new energy automotive markets may resume growth with Chinese enterprises such as BYD entering into European market and overseas automotive enterprises launching competitive vehicle models. Meanwhile, according to CAAM, favorable policies will be implemented in a row, such as old vehicle for new, new energy vehicle outreach to countryside, the intensive launch of new products will help further release the consumption potential of automotive market and provide assistance for the industry to achieve steady growth throughout the year. According to the Global EV Outlook 2024 published by the IEA, there will be 17 million new energy vehicles sold in 2024, and global demand for new energy vehicles will continue to grow steadily in coming ten years. The Group maintains a positive attitude toward the entire automotive and semiconductor markets for the second half of 2024.

The overall market will maintain a good development momentum in respect of new energy vehicle business, and the Group will also increase its performance by increasing market shares in the rising market. The Group will further improve our business and profitability by developing innovative new energy solutions, including power bricks and related solutions. In terms of Automated & Connected Vehicles business, it is expected to maintain a relatively high growth rate in the future.



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In terms of Cloud Server business, the world is currently very concerned about the rapid development of AI, and it is believed that with the popularity of AI, more and more AI technologies will be accepted by users, and more and more computing power will be required in the cloud. In the middle-long run, the Group remains optimistic that the market will gradually recover.

In terms of R&D, the Group has always adhered to the concept of “independent research and development, scientific and technological innovation”, and will continue to invest in research and development, and expand the R&D center. The Group will put more effort on research and development while maintaining its sound financial conditions.

Direction of R&D:

- Focus on the application of advanced power semiconductors and collaborative robot-related application research in Hong Kong – business growth points for medium and long-term development;
- Testing and validation platform for autonomous driving domain control solutions including hardware in environment testing system;
- Testing and validation platform for reliability and useful life of high power density silicon carbide (SiC) modules for electric drive systems;
- Sensor fusion and scenario cognition scheme development based on neural network technologies;
- Automotive grade software and middleware platform that supports cross-platform deployment, cross-domain integration, and meets functional safety and cyber security requirements;
- Testing and validation platform for zonal controllers for the new generation of vehicle electronic and electrical architectures; and
- Strengthen the embedded software platform, centralized and integrated development (new sensor fusion technologies), optimize the resource mix, and invest more technical resources in regional fusion (specific application scenarios).

With more than 20 years of extensive experience in automotive electronics, electrification and intelligence, the Company will maintain a solid and close long-term cooperative relationship with leading foreign semiconductor suppliers, and will continue to provide value to upstream and downstream partners in the future, enabling partners to better play their advantages and enhance industrialization effectiveness in terms of planning, design and quality.

The Group believes that the investment in R&D over the years will form a technological R&D platform and an industrialization platform, and transform the same into the core competitiveness of the Group.

Looking ahead, as an enterprise committed to providing the leading automotive electronics and automated & connected vehicles solutions, the Group will further strengthen product localization and market internationalization. The Group will continue to leverage its innovation strength, continue to invest in R&D, and consolidate its leading position in the industry to achieve long-term sustainable growth, contribute to the high-quality development of the automotive industry, and bring satisfactory returns to shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, total revenue increased by 8% year-on-year to RMB2,835.0 million, due to strong performance of automotive segments in particular the revenue of New Energy segment and Automated & Connected Vehicles segments 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		
	2024	2023	Year-on-year Change
New Energy	1,452,608	1,252,967	16%
Body Control	422,691	416,750	1%
Safety	355,382	390,219	-9%
Powertrain	161,112	218,721	-26%
Automated & Connected Vehicles	229,860	203,345	13%
Cloud Server	108,783	87,126	25%
Rendering of Services & Others	104,595	57,032	83%
Total	2,835,031	2,626,160	8%

Gross Profit and Gross Profit Margin

Gross profit for the six months ended 30 June 2024 decreased by 16% to RMB452.0 million as compared to the corresponding period last year. The Group's overall gross profit margin for the six months ended 30 June 2024 was 15.9% (for the six months ended 30 June 2023: 20.6%).

Other Income and Gains

The Group's other income and gains mainly included bank interest income, government grants, gain on derivative instruments at fair value through profit or loss and others. For the six months ended 30 June 2024, other income and gains decreased by 19% to RMB12.3 million, mainly due to the decrease in government grants in first half year as compared to the corresponding period last year.

Selling and Distribution Expenses

Selling and distribution expenses mainly consisted of salaries, benefits and equity-settled share option and award expenses for staff, insurance costs, warranty expenses, travelling and business entertainment expenses, marketing expenses, and administrative depreciation related costs. During the Period under review, the Group's selling and distribution expenses amounted to RMB48.0 million, representing a decrease of 10% as compared to the corresponding period in 2023. The decrease was mainly attributable to the cost control measures on expenses including sales and marketing expenses, travelling and business entertainment expenses.

Administrative Expenses

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

During the Period under review, administrative expenses amounted to RMB248.8 million, representing a decrease of 9% as compared to the corresponding period in 2023. In particular, (a) R&D expenses charged to administrative amounting to RMB188.3 million, together with the amortisation of deferred development costs of RMB26.7 million charged to cost of sales, the total R&D expenses amounted to RMB215.0 million accounting for 7.6% of revenue. The 8% decrease in R&D expenses as compared with the corresponding period in 2023 was due to the cost and structural optimization on R&D, and (b) other administrative expenses amounted to RMB60.5 million, representing a decrease of 12% as compared to corresponding period last year, which was mainly due to cost control measures on travelling expenses, office and other related expenses.

Other Expenses

Other expenses mainly consisted of foreign exchange differences and others during the Period under review. These expenses amounted to RMB29.2 million during the Period under review, representing a decrease of 19% as compared to the corresponding period last year, which was mainly due to decrease in foreign exchange losses.

Finance Costs

During the Period under review, finance costs amounted to RMB56.9 million, representing an increase of 22% as compared to the corresponding period in 2023, which was mainly due to the increase in bank borrowings to support business development and ensure sufficient working capital to cope with potential market fluctuations.

Income Tax Credit

During the Period under review, income tax credit amounted to RMB13.4 million, representing an increase of 94% from income tax credit of RMB6.9 million for the corresponding period in 2023, which was mainly due to an increase of the recognition of deferred tax during the Period under review.

Profit for the Period

During the Period under review, the Group's profit decreased by 37% from RMB152.1 million for the six months ended 30 June 2023 to RMB95.1 million for the six months ended 30 June 2024.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period under review, the Group continued to maintain a satisfactory and healthy liquidity position. As at 30 June 2024, the Group had cash and cash equivalents of RMB732.5 million (31 December 2023: RMB517.0 million).

As at 30 June 2024, the Group recorded net current assets of RMB1,680.0 million (31 December 2023: RMB1,672.2 million). Capital expenditure for the first half of the year were RMB49.9 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.

As at 30 June 2024, the gearing ratio of the Group was 51% (31 December 2023: 51%), which represents net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes interest-bearing bank and other loans, trade and notes payables, other payables and accruals, less cash and cash equivalents and pledged deposits.

As at 30 June 2024, the Group had outstanding bank loans amounting to RMB1,915.2 million (31 December 2023: RMB1,651.8 million). The bank loans of the Group denominated in US\$ and RMB amounted to RMB651.9 million (31 December 2023: RMB521.2 million) and RMB1,263.3 million (31 December 2023: RMB1,130.6 million), respectively. Should other opportunities arise requiring additional fund, the Group is in a good position to obtain such financing.

As at 30 June 2024, certain of the Group's bank loans, letter of credit, letter of guarantee and notes payable are secured by the pledges over certain of the Group's deposits amounting to RMB167.0 million (31 December 2023: RMB144.7 million). Saved as disclosed above, no other Group's assets were charged to any financial institutions.

INTERIM DIVIDEND

The directors of the Company (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 2023: nil).

MATERIAL EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the Period that needs to be disclosed.

CAPITAL COMMITMENT

As at 30 June 2024, the Group had capital commitments contracted, but not provided for, amounting to RMB16.1 million (31 December 2023: RMB6.0 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 2023: nil).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have significant contingent liabilities (31 December 2023: 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 2024, the Group had 1,373 employees (30 June 2023: 1,517 employees). The Group's labour costs, including salaries, bonuses, pension and welfare but excluding directors' and co-chief executives' remuneration, equity-settled share option and award expenses and amount capitalised, were RMB199.3 million, equivalent to 7.0% 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 2024, the Group had a total of 73,544,550 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, 18 May 2021, 25 November 2022 and 20 September 2023, respectively.

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 recorded RMB359,000 forfeited contribution from the MPF Scheme for the six months ended 30 June 2024 to reduce the existing level of contributions (for the year ended 31 December 2023: RMB52,000).

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The ordinary shares of the Company (the “**Share(s)**”) 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 of Directors (the “**Board**”) has resolved to amend the proposed use of part of the Net Proceeds originally allocated for the enhancement of the Group’s R&D infrastructure by investing in and acquiring testing and other equipment, and technology software to accelerate the Group’s solutions development cycle and thus increase exposure of the Group’s solutions to customers to 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

Details of the planned applications of the Net Proceeds, actual usage of the Net Proceeds up to 30 June 2024 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 (%)	Unutilized Net Proceeds brought forward from 31 December 2022 (RMB million)	Proceeds utilized during the year ended 31 December 2023 (RMB million)	Unutilized Net Proceeds brought forward from 31 December 2023 (RMB million)	Proceeds utilized during the six months ended 30 June 2024 (RMB million)	Actual usage up to 30 June 2024 (RMB million)	Unutilized Net Proceeds as at 30 June 2024 (RMB million)	Expected timeframe for utilizing the remaining unused Net Proceeds
1. For the expansion of R&D capabilities	196.6	30	0	0	0	0	196.6	0	N/A
2. For the enhancement of R&D infrastructure	196.6	30	0	0	0	0	196.6	0	N/A
3. For the acquisitions of R&D capabilities	196.6	30	80.3	23.2	57.1	3.0	142.5	54.1	Expected to be fully utilized by end of 2025*
4. General working capital	65.6	10	0	0	0	0	65.6	0	N/A
Total	655.4	100	80.3	23.2	57.1	3	601.3	54.1	

* As disclosed in the 2022 annual report of the Company, the expected timeframe for utilizing the remaining unused net proceeds was extended to the end of 2024 from the end of 2022 due to the COVID-19 pandemic which has created economic uncertainties and caused disruptions to a wide range of economic activities. After considering the recent global and domestic economic environment and the associated uncertainty, the expected timeframe was further extended to the end of 2025.

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. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the placees and their respective ultimate beneficial owners are independent third parties of the Company. None of the placees has become a substantial Shareholder (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)) immediately after completion of the Placing.

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

As at 31 December 2023, the Group had utilized all the net proceeds from the Placing for the purpose consistent with that disclosed on the aforementioned announcements. The planned applications of the net proceeds from the Placing and actual usage of such net proceeds up to 31 December 2023 are set out below:

Use of proceeds	Planned applications (RMB million)	Percentage of total net proceeds (%)	Unutilized net proceeds brought forward from 31 December 2022 (RMB million)	Proceeds utilized during the year ended 31 December 2023 (RMB million)	Actual usage up to 31 December 2023 (RMB million)	Unutilized net proceeds as at 31 December 2023 (RMB million)
1. Developing software platform towards intelligent driving solutions	62.0	25	19.0	19.0	62.0	0
2. Further developing software systems and electronic controls solutions for automotive electric vehicle	35.0	14	9.1	9.1	35.0	0
3. Application of higher power semiconductor solutions	35.0	14	5.8	5.8	35.0	0
4. Further developing the Group's testing and validation centre for intelligent driving	62.0	25	20.0	20.0	62.0	0
5. General working capital	58.6	22	0	0	58.6	0
Total	252.6	100	53.9	53.9	252.6	0

As at 31 December 2023, the net proceeds from the Placing had been fully utilized.

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 (including sale of treasury shares) during the Period under review.

DISCLOSURE OF INTERESTS

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

As at 30 June 2024, 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 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)	48.26%
Treasure Map Ventures Limited (" Treasure Map ") ^(4 & 5)	Beneficial owner	75,000,000 (L)	6.89%
Heroic Mind Limited (" Heroic Mind ") ^(6 & 7)	Beneficial owner	75,000,000 (L)	6.89%
Zenith Benefit Investments Limited (" Zenith Benefit ") ^(3, 5 & 7)	Beneficial owner	43,970,000 (L)	4.04%

Notes:

- The letter "L" denotes long position of the Shares.
- Magnate Era is a corporate controlling shareholder (as defined under the Listing Rules) ("**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 2,3 and 4 above, Mr. Luk owned 50.0% shareholding interest in Magnate Era, 50.0% shareholding interest in Zenith Benefit and 100.0% shareholding interest in Treasure Map (all being corporate controlling shareholders). He is deemed under the SFO to be interested in the entirety of 643,970,000 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% shareholding interest in Magnate Era, 50.0% shareholding interest in Zenith Benefit and 100.0% shareholding interest in Heroic Mind (all being corporate controlling shareholders). He is deemed under the SFO to be interested in the entirety of 643,970,000 Shares directly held by the aforesaid three holding companies.

Save as disclosed above, as at 30 June 2024, the Company is not aware of any other person or corporation (other than Directors or chief executive of the Company) who had or are taken to have 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, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares and debentures of the Company or its associated corporations (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 C3 to 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 ordinary Shares

Name of Shareholder	Nature of Interest	Number of securities held ⁽¹⁾	Approximate shareholding percentage (%)
Mr. Luk ⁽²⁾	Interest of controlled corporations	643,970,000 (L)	59.20%
Mr. Chan ⁽³⁾	Interest of controlled corporations	643,970,000 (L)	59.20%
Ms. Zhang Dan ⁽⁴⁾	Interest of spouse	643,970,000 (L)	59.20%
Ms. Zhang Hui ⁽⁵⁾	Interest of spouse	643,970,000 (L)	59.20%
Mr. Chan Ming	Beneficial owner	3,000,000 (L)	0.28%
Mr. Ng Ming Chee	Beneficial owner	2,100,000 (L)	0.19%
Mr. Yu Hong	Beneficial owner	25,000 (L)	0.002%

Notes:

- The letter “L” denotes long position of the Shares.
- Mr. Luk owned 50.0% shareholding interest in Magnate Era, 50.0% shareholding interest in Zenith Benefit and 100.0% shareholding interest in Treasure Map (all being corporate controlling shareholders). He is deemed under the SFO to be interested in the entirety of 643,970,000 Shares directly held by the aforesaid three holding companies.
- Mr. Chan owned 50.0% shareholding interest in Magnate Era, 50.0% shareholding interest in Zenith Benefit and 100.0% shareholding interest in Heroic Mind (all being corporate controlling shareholders). He is deemed under the SFO to be interested in the entirety of 643,970,000 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 643,970,000 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 643,970,000 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	Number of share options					Balance as at 30 June 2024	Exercise price per share HK\$
			Balance as at 1 January 2024	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	25,000	–	–	–	–	25,000	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 2024, 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 “**Old Scheme**”).

On 27 May 2024, the Old Scheme was terminated. No further option has been or will be granted under the Old Scheme since its termination, while options granted under the Old Scheme prior to its termination shall remain valid in accordance with its terms. As at 30 June 2024, there were 73,544,550 outstanding share options under the Old Scheme.

As at the beginning and the end of the Period, the number of options available for grant under the scheme mandate of the Old Scheme was 12,987,650 and 0, respectively.

Pursuant to the amendments to Chapter 17 of the Listing Rules in relation to share schemes of listed issuers that came into effect on 1 January 2023, the Board resolved to adopt a new share scheme (the “**New Share Scheme**”) in compliance with the new Chapter 17 of the Listing Rules. For details, please refer to the announcement of the Company dated 20 March 2024 and the circular of the Company dated 24 April 2024. The New Share Scheme was approved by the Shareholders at the annual general meeting of the Company held on 27 May 2024. During the period from the adoption of the New Share Scheme to 30 June 2024, no options or awards have been granted, exercised, or cancelled or lapsed under the New Share Scheme.

As at the beginning and the end of the Period, the number of options and awards available for grant under the scheme mandate of the New Share Scheme was 0 and 108,783,840, respectively. No service provider sublimit has been authorised under the New Share Scheme.

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 under the Old Scheme are as follows:

Category	Date of grant	Exercisable period	Balance as at 1 January 2024	Granted during the Period	Number of share options			Balance as at 30 June 2024	Exercise price per share HK\$
					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⁾	125,000	-	-	-	-	125,000	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⁾	18,759,550	-	-	120,000	-	18,639,550	2.662
	30 September 2020 ⁽³⁾	1 October 2021 to 30 September 2027 ⁽⁴⁾	2,925,000	-	-	-	-	2,925,000	2.810
	18 May 2021 ⁽⁵⁾	1 June 2022 to 31 May 2028 ⁽⁶⁾	20,305,000	-	-	560,000	-	19,745,000	4.25
	25 November 2022 ⁽⁷⁾	1 December 2023 to 30 May 2029 ⁽⁸⁾	12,500,000	-	-	860,000	-	11,640,000	4.324
	20 September 2023 ⁽⁹⁾	1 October 2024 to 30 September 2030 ⁽¹⁰⁾	17,680,000	-	-	740,000	-	16,940,000	3.364
Total			75,824,550	-	-	2,280,000	-	73,544,550	



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) The closing prices of the Shares immediately before the grant of share options on 25 November 2022 was HK\$4.25.
- 8) 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 December 2023; (ii) as to 25% of the total number of Granted Options on 1 December 2024; (iii) as to 25% of the total number of Granted Options on 1 December 2025; and (iv) as to 25% of the total number of Granted Options on 1 December 2026. Once vested, the Granted Options shall be exercisable on a cumulative basis.
- 9) The closing prices of the Shares immediately before the grant of share options on 20 September 2023 was HK\$3.23.
- 10) 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 2024; (ii) as to 25% of the total number of Granted Options on 1 October 2025; (iii) as to 25% of the total number of Granted Options on 1 October 2026; and (iv) as to 25% of the total number of Granted Options on 1 October 2027. Once vested, the Granted Options shall be exercisable on a cumulative basis.
- 11) 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, underlying shares and debentures of the Company or its associated corporations" above.
- 12) Details of each of the Directors' interest in options to subscribe for Shares of the Company is set out in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the company or its associated corporations" above.

As at the date of this report, the total number of Shares available for issue upon exercise of all outstanding options already granted under the Old Scheme was 73,204,550, representing approximately 6.73% of the issued share capital of the Company.

As no options or awards were granted during the Period, the number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the Period divided by the weighted average number of shares of the Company in issue for the Period is not applicable.



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 C1 to 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 C.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 C.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 as set out in Appendix C3 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.

SPECIFIC PERFORMANCE OBLIGATIONS OF CONTROLLING SHAREHOLDERS UNDER FACILITIES AGREEMENT

On 14 February 2023, the Company as borrower, and Intron Technology (China) Limited (the “**Guarantor**”), a direct wholly-owned subsidiary of the Company as guarantor, entered into a facilities agreement (the “**Facilities Agreement**”) with a syndicate of banks as lenders (collectively referred to as the “**Lenders**”) for a syndicated loan in the total principal amount of up to US\$60,000,000 (the “**Facilities**”) subject to the terms and conditions of the Facilities Agreement. The Facilities have a final repayment date falling 36 months from the first drawdown date. Pursuant to the Facilities Agreement, if Mr. Luk Wing Ming and Mr. Chan Cheung Ngai (the “**Ultimate Controlling Shareholders**”) collectively do not or cease to (a) own beneficially, directly or indirectly, at least 51% of all the issued share capital (which are free from any security) in the Company or the Guarantor or (b) control the Company or the Guarantor; the Lenders would be entitled to cancel the available commitment under the Facilities and to declare that all amounts outstanding (including the loans and interest accrued) under the Facilities Agreement shall immediately become due and payable.

For further details, please refer to the announcement of the Company dated 14 February 2023.

As at the date of this report, Mr. Luk Wing Ming and Mr. Chan Cheung Ngai collectively own approximately 66% of the issued share capital of the Company.

As at the date of this report, the above specific performance obligations imposed on the Ultimate Controlling Shareholders under the Facilities Agreement continue to exist.

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 2024

	Notes	Unaudited Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
REVENUE	5	2,835,031	2,626,160
Cost of sales		(2,383,065)	(2,085,204)
Gross profit		451,966	540,956
Other income and gains	5	12,340	15,183
Selling and distribution expenses		(47,971)	(53,394)
Administrative expenses		(248,806)	(274,421)
Other expenses		(29,212)	(36,055)
Finance costs	7	(56,932)	(46,822)
Share of profits and losses of associates		308	(258)
PROFIT BEFORE TAX	6	81,693	145,189
Income tax credit	8	13,400	6,925
PROFIT FOR THE PERIOD		95,093	152,114
Attributable to:			
Owners of the parent		97,678	154,456
Non-controlling interests		(2,585)	(2,342)
		95,093	152,114
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	10	RMB8.98 cents	RMB14.21 cents
Diluted	10	RMB8.98 cents	RMB13.99 cents



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
PROFIT FOR THE PERIOD	95,093	152,114
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(7,918)	(32,175)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(7,918)	(32,175)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	6,024	27,098
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	6,024	27,098
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(1,894)	(5,077)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	93,199	147,037
Attributable to:		
Owners of the parent	95,784	149,379
Non-controlling interests	(2,585)	(2,342)
	93,199	147,037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	265,694	249,864
Right-of-use assets		44,844	41,041
Other intangible assets	12	406,985	363,133
Investment in associates		12,766	12,457
Financial assets at fair value through profit or loss		145,667	142,667
Equity investment designated at fair value through other comprehensive income		2,438	2,438
Deferred tax assets		147,048	106,476
Advance payments for property, plant and equipment		30,735	54,284
Total non-current assets		1,056,177	972,360
CURRENT ASSETS			
Inventories	13	1,551,033	1,554,260
Trade and notes receivables	14	1,647,149	1,848,235
Contract assets		–	451
Prepayments, other receivables and other assets	15	669,066	506,336
Pledged deposits		167,042	144,712
Cash and cash equivalents	16	732,486	516,998
Total current assets		4,766,776	4,570,992
CURRENT LIABILITIES			
Trade and notes payables	17	506,038	595,929
Other payables and accruals	18	916,268	845,039
Derivative financial instruments		1,342	3,000
Interest-bearing bank and other loans	19	1,562,470	1,384,044
Lease liabilities		19,010	16,113
Tax payable		81,689	54,688
Total current liabilities		3,086,817	2,898,813
NET CURRENT ASSETS		1,679,959	1,672,179
TOTAL ASSETS LESS CURRENT LIABILITIES		2,736,136	2,644,539



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		11,808	11,427
Government grants	20	1,380	1,500
Deferred tax liabilities		5,233	5,232
Interest-bearing bank and other loans	19	352,777	267,726
Total non-current liabilities		371,198	285,885
Net assets		2,364,938	2,358,654
EQUITY			
Equity attributable to owners of the parent			
Share capital	21	9,249	9,249
Reserves		2,352,409	2,343,541
		2,361,658	2,352,790
Non-controlling interests		3,280	5,864
Total equity		2,364,938	2,358,654

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium* RMB'000	Share option and award reserve* RMB'000	Statutory surplus reserves* RMB'000	Capital reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
For the six months ended 30 June 2023 (unaudited)											
At 1 January 2023	9,241	943,435	49,085	20,353	25,825	24,233	1,945	1,063,865	2,137,982	10,655	2,148,637
Profit for the period	-	-	-	-	-	-	-	154,456	154,456	(2,342)	152,114
Other comprehensive income for the period:											
Exchange differences on translation of the Company	-	-	-	-	-	27,098	-	-	27,098	-	27,098
Exchange differences on translation of foreign operations	-	-	-	-	-	(32,175)	-	-	(32,175)	-	(32,175)
Total comprehensive income for the period	-	-	-	-	-	(5,077)	-	154,456	149,379	(2,342)	147,037
Equity-settled share option and award arrangements	-	-	11,915	-	-	-	-	-	11,915	-	11,915
Exercise of share options	5	1,840	(543)	-	-	-	-	-	1,302	-	1,302
Final dividends declared and approved	-	-	-	-	-	-	-	(128,337)	(128,337)	-	(128,337)
At 30 June 2023	9,246	945,275	60,457	20,353	25,825	19,156	1,945	1,089,984	2,172,241	8,313	2,180,554
For the six months ended 30 June 2024 (unaudited)											
At 1 January 2024	9,249	946,917	74,543	25,450	25,825	22,173	1,205	1,247,428	2,352,790	5,864	2,358,654
Profit for the period	-	-	-	-	-	-	-	97,678	97,678	(2,585)	95,093
Other comprehensive income for the period:											
Exchange differences on translation of the Company	-	-	-	-	-	6,024	-	-	6,024	-	6,024
Exchange differences on translation of foreign operations	-	-	-	-	-	(7,918)	-	-	(7,918)	-	(7,918)
Total comprehensive income for the period	-	-	-	-	-	(1,894)	-	97,678	95,784	(2,585)	93,199
Equity-settled share option and award arrangements	-	-	10,077	-	-	-	-	-	10,077	-	10,077
Final dividends declared and approved	-	-	-	-	-	-	-	(96,992)	(96,992)	-	(96,992)
At 30 June 2024	9,249	946,917	84,620	25,450	25,825	20,279	1,205	1,248,114	2,361,659	3,279	2,364,938

* These reserve accounts comprise the consolidated reserves of RMB2,352,410,000 (31 December 2023: RMB2,343,541,000) in the consolidated statement of financial position.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES		
Net cash flows from operating activities	82,813	7,573
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(19,378)	(71,199)
Additions to other intangible assets	(74,960)	(47,757)
Purchase of financial assets at fair value through profit or loss	(3,000)	(19,171)
Other investing cash flows	3,623	–
Net cash flows used in investing activities	(93,715)	(138,127)
FINANCING ACTIVITIES		
Proceeds from issuance of shares upon exercise of share options	–	1,301
Net proceeds from bank and other loans	260,229	429,859
Increase in pledged deposits	(22,330)	(102,220)
Other financing cash flows (net)	(13,163)	(10,241)
Net cash flows from financing activities	224,736	318,699
NET INCREASE IN CASH AND CASH EQUIVALENTS	213,834	188,145
Effect of foreign exchange rate changes, net	1,654	9,695
Cash and cash equivalents at beginning of period	516,998	336,946
CASH AND CASH EQUIVALENTS AT END OF PERIOD	732,486	534,786

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024 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 D2 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 2023.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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 2024

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	
	2024 RMB'000	2023 RMB'000
Hong Kong	115,311	13,054
Mainland China	2,698,257	2,613,056
Other countries/regions	21,463	50
	2,835,031	2,626,160

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

(b) Non-current assets

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Hong Kong	111,516	113,595
Mainland China	796,333	750,831
Other countries/regions	1,280	1,458
	909,129	865,884

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 2024

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	
	2024 RMB'000	2023 RMB'000
Customer 1	304,327	N/A*
Customer 2	N/A*	278,305

* The corresponding revenue of the customers are not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the period.

5. REVENUE, OTHER INCOME AND GAINS

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

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
(i) Revenue from contracts with customers		
At a point in time		
– Sale of products	2,785,967	2,610,648
– Rendering of consulting services	49,064	15,512
	2,835,031	2,626,160
(ii) Other income		
Government grants*	2,167	5,807
Bank interest income	3,090	3,293
Dividend income from financial assets at fair value through profit or loss	770	–
Others	1,808	1,018
Total other income	7,835	10,118
(iii) Gains		
Gain on derivative instruments at fair value through profit or loss	4,505	5,030
Gain on disposal of items of property, plant and equipment	–	35
Total gains	4,505	5,065
Total other income and gains	12,340	15,183

* 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 2024

6. PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Cost of inventories sold	2,360,660	2,080,214
Cost of services provided	22,405	4,990
Depreciation of property, plant and equipment	30,309	24,712
Depreciation of right-of-use assets	12,676	10,982
Amortisation of patents and software*	4,367	4,447
Research and development costs:		
Deferred expenditure amortised*	26,741	26,964
Current period expenditure	188,302	205,811
	215,043	232,775
Lease payments not included in the measurement of lease liabilities	3,099	2,917
Government grants	(2,167)	(5,807)
Bank interest income	(3,090)	(3,293)
Foreign exchange losses, net	29,121	35,550
Employee benefit expense (excluding directors' and co-chief executives' remuneration):		
Wages and salaries	212,584	214,012
Equity-settled share option and award expense	9,923	11,845
Pension scheme contributions***	40,342	37,408
Staff welfare expenses	3,387	5,776
Less: Amount capitalised	(56,986)	(30,743)
	209,250	238,298
Write-down of inventories to net realizable value**	7,582	8,941

* The amortisation of patents and software for the period is included in "Administrative expenses" and the amortization of deferred development costs for the period is included in "Cost of sales" 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.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest on bank borrowings	43,812	35,212
Interest on discounted notes receivable	12,508	10,989
Interest on lease liabilities	612	621
	56,932	46,822

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 recorded 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% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 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, Shanghai G-Pulse Electronics Technology Company Limited and Wuxi Maxdone Electronics Technology Company Limited, three subsidiaries of the Group, are qualified as High and New Technology Enterprises and are subject to a preferential income tax rate of 15% (2023: 15%) during the period. Certain subsidiaries of the Group are qualified as Small and Micro Enterprises and are subject to a preferential tax rate of 5%-20% (2023: 5%-20%) during the period.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

8. INCOME TAX (CONTINUED)

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current – Mainland China		
Charge for the period	38	101
Current – Elsewhere		
Charge for the period	27,134	16,182
Deferred tax	(40,572)	(23,208)
Total tax credit for the period	(13,400)	(6,925)

9. DIVIDENDS

The Directors did not recommend the payment of a dividend by the Company for the six months ended 30 June 2024.

On 27 May 2024, a final dividend for the year ended 31 December 2023 of HK9.8 cents per ordinary share (2022: HK13.1 cents), amounting to HK\$106,608,000 (equivalent to RMB96,992,000), has been approved by the shareholders at the annual general meeting of the Company. The final dividend for the year ended 31 December 2023 was paid in July 2024 and is reflected as dividends payable in these Financial Statements.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per share

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,087,838,400 (six months ended 30 June 2023: 1,087,215,067) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares under the share option scheme.

The calculation of the basic and diluted earnings per share is based on:

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	97,678	154,456

	Unaudited Six months ended 30 June	
	2024 Number of shares	2023 Number of shares
Shares		
Weighted average number of ordinary shares in issue during the period	1,087,838,400	1,087,215,067
Effect of dilution – weighted average number of ordinary shares: Share options	–	16,792,228
	1,087,838,400	1,104,007,295

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of RMB45,929,000 (six months ended 30 June 2023: RMB37,294,000). The Group also disposed of certain items of property, plant and equipment at the aggregate carrying amount of RMB1,659,000 (six months ended 30 June 2023: RMB748,000) during the period.

12. OTHER INTANGIBLE ASSETS

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Net book value at the beginning of the period/year	363,133	325,309
Additions – internal development	72,060	91,859
Additions – others	3,981	9,014
Amortization	(32,189)	(63,049)
Net book value at the end of the period/year	406,985	363,133

13. INVENTORIES

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Semiconductor devices and electronic components	1,551,033	1,554,260

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. TRADE AND NOTES RECEIVABLES

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Trade receivables	1,604,004	1,762,355
Notes receivable	52,707	94,796
	1,656,711	1,857,151
Impairment	(9,562)	(8,916)
	1,647,149	1,848,235

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 receivables are amounts due from the Group's related parties of RMB12,177,000 as at 30 June 2024 (31 December 2023: RMB11,421,000), 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 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Less than 3 months	1,467,395	1,669,242
3 to 6 months	85,063	59,560
6 to 12 months	27,381	17,456
1 to 2 years	11,328	5,162
Over 2 years	3,275	2,019
	1,594,442	1,753,439



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Prepayments	628,485	445,247
Prepaid expenses	10,322	12,875
Interest receivables	535	848
Other tax recoverable	5,986	4,114
Deposits and other receivables	28,259	47,773
	673,587	510,857
Impairment allowance	(4,521)	(4,521)
Total	669,066	506,336

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Cash and bank balances	732,486	516,998
Pledged deposits	167,042	144,712
Subtotal	899,528	661,710
Less: Pledged deposits		
– Pledged for bank borrowings (note 19)	(71,170)	(62,899)
– Pledged for notes payable	(54,969)	(41,213)
– Pledged for letter of credit	(35,300)	(35,000)
– Pledged for letter of guarantee	(5,603)	(5,600)
Cash and cash equivalents	732,486	516,998

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

17. TRADE AND NOTES PAYABLES

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Trade payables	348,081	402,034
Notes payables	157,957	193,895
	506,038	595,929

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

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Less than 3 months	302,404	361,028
3 to 6 months	38,276	35,844
6 to 12 months	3,817	4,548
1 to 2 years	3,520	100
Over 2 years	64	514
	348,081	402,034

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 2024

18. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Other payables	648,496	619,503
Dividends payable	97,302	—
Taxes payable other than corporate income tax	52,836	40,691
Payroll and welfare payable	51,410	109,821
Contract liabilities	62,916	67,350
Payables for purchase of property, plant, equipment and other intangible assets	3,308	7,674
	916,268	845,039

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. INTEREST-BEARING BANK AND OTHER LOANS

The Group's bank borrowings and other loans are repayable as follows:

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Within 1 year or on demand	1,562,470	1,384,044
Between 1 and 2 years	352,777	–
Between 2 and 5 years	–	267,726
	1,915,247	1,651,770
Less: Non-current portion	352,777	267,726
Current Portion	1,562,470	1,384,044

Note:

Certain of the Group's bank loans are secured by the pledges over certain of the Group's deposits amounting to RMB71,170,000 as at 30 June 2024 (31 December 2023: RMB62,899,000) and are guaranteed by the intercompany of the Group.

20. GOVERNMENT GRANTS

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Current	–	–
Non-current	1,380	1,500

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 2024

21. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised: Ordinary shares of HK\$0.01 each At 31 December 2023 and 30 June 2024 (unaudited)	2,400,000,000	24,000
Issued and fully paid: Ordinary shares of HK\$0.01 each At 1 January 2023 Share options exercised	1,086,969,900 868,500	RMB'000 9,241 8
At 31 December 2023, 1 January 2024 and 30 June 2024 (unaudited)	1,087,838,400	9,249

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. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
Contracted, but not provided for: Patents, plant and machinery	16,067	54,957

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

24. 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	
	2024 RMB'000	2023 RMB'000
Sales of products and services to:		
United Trinity Electronics Company Limited*	19,354	21,238

* 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	
	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefit in kind	10,669	10,650
Pension scheme contributions	162	159
Equity-settled share option and award expense	95	182
Total compensation paid to key management personnel	10,926	10,991



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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, pledged deposits, trade and notes receivables, financial assets included in prepayment, other receivables and other assets, trade and notes payables, financial liabilities included in other payables and accruals and interest-bearing bank and other loans and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at the end of the reporting period were assessed to be insignificant.

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 designated as financial assets at fair value through profit and loss have been estimated using a market based valuation technique and discounted cash flow valuation technique.

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 2023 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 2024

	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	–	52,707	–	52,707
Equity investments designated at fair value through other comprehensive income	–	–	2,438	2,438
Financial assets at fair value through profit or loss	–	–	145,667	145,667
Total	–	52,707	148,105	200,812

As at 31 December 2023

	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	–	94,796	–	94,796
Equity investments designated at fair value through other comprehensive income	–	–	2,438	2,438
Financial assets at fair value through profit or loss	–	–	142,667	142,667
Total	–	94,796	145,105	239,901

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 30 June 2024

	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	
Derivative financial instruments	–	1,342	–	1,342

As at 31 December 2023

	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	
Derivative financial instruments	–	3,000	–	3,000

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 2023: Nil).

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

Hong Kong, 27 August 2024

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.