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INTRON TECHNOLOGY HOLDINGS LIMITED

英恒科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1760)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

FINANCIAL HIGHLIGHTS

(RMB in thousands, unless specified)

	Unaudited Six months ended		Year-on-year Percentage Change
	30 June 2024	30 June 2023	
Financial Figures			
Revenue Breakdown:			
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 Revenue	2,835,031	2,626,160	8%
Gross Profit	451,966	540,956	-16%
Net Profit	95,093	152,114	-37%
Profit attributable to owners of the parent	97,678	154,456	-37%
Earnings per share (RMB cents)			
– Basic	8.98	14.21	-37%
– Diluted	8.98	13.99	-36%
			% point of change
Financial Ratios (% of Total Revenue)			
Gross Profit	15.9%	20.6%	-4.7
Research and Development Costs	7.6%	8.9%	-1.3
Net Profit	3.4%	5.8%	-2.4

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Intron Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Period**” or “**Period under review**”) together with selected explanatory notes and the relevant comparative figures for the corresponding period in 2023.

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

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In the first half of 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.

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.

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.

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.

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:

<i>(RMB'000)</i>	Six months ended 30 June		Year-on-year Change
	2024	2023	
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	<u>2,835,031</u>	<u>2,626,160</u>	<u>8%</u>

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.

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	Proceeds utilized during the year ended 31 December 2023	Unutilized Net Proceeds brought forward from 31 December 2023	Proceeds utilized during the six months ended 30 June 2024	Actual usage up to 30 June 2024	Unutilized Net Proceeds as at 30 June 2024	Expected timeframe for utilizing the remaining unused Net Proceeds
			(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	
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	Proceeds	Actual usage up to 31 December 2023 (RMB million)	Unutilized net proceeds as at 31 December 2023 (RMB million)
			net proceeds brought forward from 31 December 2022 (RMB million)	utilized during the year ended 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 during the Period under review.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of its Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the Corporate Governance code (“**CG Code**”) as set out in Appendix 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 for Securities Transactions by Directors of Listed Issuers (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 announcement. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the review and supervision of the Group's financial reporting process and internal control measures. For the Period under review, the audit committee comprised of three independent non-executive Directors, namely, Mr. Tsui Yung Kwok, Mr. Jiang Yongwei and Mr. Yu Hong. Mr. Tsui Yung Kwok serves as the chairman of the audit committee of the Company, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the Period under review. They considered that the unaudited interim financial statements of the Group for the Period under review are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is required to be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.intron-tech.com), respectively. The interim report of the Company for the Period will be published on the respective websites of the Stock Exchange and the Company, and will be despatched to the Shareholders who have already provided instructions indicating their preference to receive printed copies in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

Unaudited Six months ended 30 June

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	2,835,031	2,626,160
Cost of sales		<u>(2,383,065)</u>	<u>(2,085,204)</u>
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		(56,932)	(46,822)
Share of profits and losses of associates		308	(258)
PROFIT BEFORE TAX	6	81,693	145,189
Income tax credit	7	13,400	6,925
PROFIT FOR THE PERIOD		<u>95,093</u>	<u>152,114</u>
Attributable to:			
Owners of the parent		97,678	154,456
Non-controlling interests		(2,585)	(2,342)
		<u>95,093</u>	<u>152,114</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	10	<u>RMB8.98 cents</u>	<u>RMB14.21 cents</u>
Diluted	10	<u>RMB8.98 cents</u>	<u>RMB13.99 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 (unaudited) RMB'000	As at 31 December 2023 (audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		265,694	249,864
Right-of-use assets		44,844	41,041
Other intangible assets		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
		<u>1,056,177</u>	<u>972,360</u>
Total non-current assets			
CURRENT ASSETS			
Inventories		1,551,033	1,554,260
Trade and notes receivables	10	1,647,149	1,848,235
Contract assets		-	451
Prepayments, other receivables and other assets		669,066	506,336
Pledged deposits		167,042	144,712
Cash and cash equivalents		732,486	516,998
		<u>4,766,776</u>	<u>4,570,992</u>
Total current assets			
CURRENT LIABILITIES			
Trade and notes payables	11	506,038	595,929
Other payables and accruals		916,268	845,039
Derivative financial instruments		1,342	3,000
Interest-bearing bank and other loans		1,562,470	1,384,044
Lease liabilities		19,010	16,113
Tax payable		81,689	54,688
		<u>3,086,817</u>	<u>2,898,813</u>
Total current liabilities			
NET CURRENT ASSETS		<u>1,679,959</u>	<u>1,672,179</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,736,136</u>	<u>2,644,539</u>

		As at 30 June 2024 (unaudited) <i>RMB'000</i>	As at 31 December 2023 (audited) <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		11,808	11,427
Government grants		1,380	1,500
Deferred tax liabilities		5,233	5,232
Interest-bearing bank and other loans		<u>352,777</u>	<u>267,726</u>
Total non-current liabilities		<u>371,198</u>	<u>285,885</u>
Net assets		<u>2,364,938</u>	<u>2,358,654</u>
 EQUITY			
Equity attributable to owners of the parent			
Share capital	12	9,249	9,249
Reserves		<u>2,352,409</u>	<u>2,343,541</u>
		2,361,658	2,352,790
Non-controlling interests		<u>3,280</u>	<u>5,864</u>
Total equity		<u>2,364,938</u>	<u>2,358,654</u>

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.

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

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

(b) Non-current assets

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

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

Information about major customers

Revenue from 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	2023
	RMB'000	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	2023
	RMB'000	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.

6. PROFIT BEFORE TAX

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	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.

7. INCOME TAX

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

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax in the Cayman Islands. The Company has registered with the Company Registry in Hong Kong on 22 December 2017 and 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.

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	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	<u>(13,400)</u>	<u>(6,925)</u>

8. 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.

9. 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	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>97,678</u>	<u>154,456</u>

	Unaudited	
	Six months ended 30 June	
	2024	2023
	Number of	Number of
	shares	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	–	<u>16,792,228</u>
	<u>1,087,838,400</u>	<u>1,104,007,295</u>

10. TRADE AND NOTES RECEIVABLES

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

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

Included in the Group's trade 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
	<u>1,594,442</u>	<u>1,753,439</u>

11. 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
	<u>506,038</u>	<u>595,929</u>

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
	<u>348,081</u>	<u>402,034</u>

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

12. SHARE CAPITAL

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

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 announcement, the executive Directors are Mr. Luk Wing Ming, Mr. Chan Cheung Ngai, Mr. Chan Ming and Mr. Ng Ming Chee; and the independent non-executive Directors are Mr. Jiang Yongwei, Mr. Yu Hong and Mr. Tsui Yung Kwok.