



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

2023

Interim Report

Innovation
Drives Future





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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

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3 On Yiu Street, Shatin
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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

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

www.intron-tech.com



MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In the first half of 2023, as the automotive market competition intensified in the People's Republic of China (the “**PRC**”), the automotive original equipment manufactures (“**OEMs**”) sped up their supply chain transformation, from vertical straight-line structure to ring-like flat structure. Such transformation brought various challenges to the automotive supply chain, but also brought Intron Technology Holdings Limited (the “**Company**” or “**Intron Technology**”) and its subsidiaries (collectively, the “**Group**”) more opportunities, allowing the Group to outperform the industry with its excellent research and development edges, advanced semiconductor applied technology and industrialization capability. According to the data published by the China Association of Automobile Manufacturers (“**CAAM**”), in the first half of 2023, the overall sales volume of automotive vehicles in the PRC increased year-on-year by 9.8% to 13.2 million units, in which, the sales volume of new energy vehicles reached 3.7 million units, representing a year-on-year increase of 44.1%. For the six months ended 30 June 2023 (the “**Period**” or “**Period under review**”), the Group recorded steady growth, with an increase of 27% in its turnover, with a year-on-year increase of 58% in its new energy segment, outperforming the market.

After two years of rapid growth, the new energy automotive market has entered into a stage of steady improvement, with the demand constantly increasing. According to the CAAM data, the market share of the sales volume of new energy vehicles increased to 28.3% in the first half of 2023. Leveraging on strong capabilities of new energy automotive R&D and industrialization, the Group helped OEMs to implement highly cost-effective mass production programs, and improve the business penetration. The business of new energy segment 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 2023, the semiconductor shortage in the automotive industry had eased compared with 2022, but since the structural shortage relating to power and security continued, coupled with the increasingly fierce competition, the market fluctuations continued. Nevertheless, with rich experience and market leadership for over two decades, strong and close long-term cooperative relationship with both international and domestic leading semiconductor suppliers, as well as our excellent R&D capabilities and comprehensive product offerings, the Group has been able to sustain its business growth. In the first half of 2023, the Group recorded growth in the projects cooperating with customers in depth, and our customer penetration improved gradually, which highlighted the unique business model and business advantage of Intron Technology, and laid a more solid foundation for future development.

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, including the establishment of the testing and validation centre for intelligent driving, and further consolidated its technical leadership, with promising prospect and trend for future development.

BUSINESS REVIEW

In 2023, the Group has entered a new stage of development. With the new trend in the automotive industry such as the popularity of new energy vehicle (NEV), hydrogen fuel-cell vehicle (HFCV) and intelligent driving, and as an early mover, the Group has over the years been ahead of the market in building the R&D technological platform and the industrialization platform. The Group's sales revenue is classified as follows:

New Energy	– Core solutions related to 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 business review for the first half of 2023, the Group's overall results outperformed the market, and recorded satisfactory growth. The total revenue of the Group increased by approximately 27% year-on-year to RMB2,626.2 million, which was mainly due to the fact that the sales revenue of new energy vehicles during the Period increased significantly by 58%, accounting for 47.7% of the Company's overall revenue. In addition, the body control system segment maintained substantially the same level with previous year. The safety system, powertrain system and automated & connected vehicles business segments recorded remarkable growth of 43%, 41% and 118%, respectively. The cloud server segment, which accounted for a relatively small proportion of the Group's revenue, recorded a year-on-year decrease of 71% in related business revenue due to the adjustment of market demand.

During the Period under review, the Group's gross profit was RMB541.0 million, and the gross profit margin was 20.6%, which was substantially the same as that of the same period last year, demonstrating the advantage and sustainability of the Group's business model. During the Period, the Group increased R&D inputs additionally by 1.9 percentage points to 8.9% of the Group's overall revenue, and continued to consolidate our leading technology foundation. The Group continued expanding our scale effect in operation, in response to the challenges to market demand and rising interest. During the Period, the Group's profit attributable to shareholders amounted to RMB154.5 million (in the first half of 2022: RMB152.6 million), and the profit margin attributable to shareholders was 5.9%, as compared to 7.4% in the same period of previous year. Disregarding the additional increase of R&D inputs, the Group's operating profit margin increased slightly by 0.5 percentage points as compared to the corresponding period last year.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of R&D, the Group increased investment in new technology development, in particular focusing on the area of the new energy vehicles development trends, to ensure that our technology and innovation levels could maintain its leading position in the industry. Overall, during the Period, the Group's R&D expenses increased by 59% year-on-year, accounting for 8.9% of the Group's overall revenue, as compared to 7.0% in the same period of previous year.

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.

New Energy Vehicles Core Solutions

Benefiting from the increasing market demand for new energy vehicles, the Group's new energy business, including Motor Control Unit ("MCU") and Battery Management System ("BMS") solutions, continuously expanded its market shares and maintained a strong growth momentum, which showed a significant contribution in terms of revenue in the first half of 2023. For the six months ended 30 June 2023, the revenue from this business segment increased significantly by 58% year-on-year to RMB1,253.0 million, higher than the growth level of new energy vehicles in the market.

The Group provides advanced mass production solution services, and has developed different core technologies of electronic control unit (ECU), including power electronics, embedded software, functional safety and system integration, allowing us to stand out in the rapidly changing market environment and meet the different needs of customers in an all-round way. Furthermore, the Group continues to optimize and improve the three electric vehicle related core electronic control solutions, namely, Motor Control Unit ("MCU"), Battery Management System ("BMS") and Vehicle Control Unit ("VCU"), and thermal management system to further increase market penetration.

Body Control/Safety/Powertrain Solutions

In the first half of 2023, the revenue from body control business decreased slightly by 3% year-on-year, mainly due to the high inventory level of customers, which required time to digest. The Group will continue focusing on market dynamics and react flexibly, and meanwhile constantly increase the product quality and service level, so as to maintain our market competitiveness. In terms of safety business, the Group won more projects by increasing the localized solution process and continuously improving and shortening the time of delivery, along with new braking system application driven by the expanded application of driver assistance system. In addition, the Group increased new projects with OEM customers, in particular in braking and steering applications, which drove our safety business to increase by 43% year-on-year to RMB390.2 million. Benefited from the continued improvement of delivery process and efficiency, and the Group's winning more new projects for mass production, the powertrain business recorded a revenue of RMB218.7 million, representing a year-on-year increase of 41%.

Automated & Connected Vehicles Solutions

During the Period under review, the revenue from automated & connected vehicles business surged by 118% to RMB203.3 million, mainly due to the significant increase of our solutions installation rate and penetration rate, as well as increasing projects for mass production, which will play an important part in future development of the Group.

In the first half of 2023, the Group's automated & connected vehicles solutions developed fast, for example, officially released the high-performance cockpit-driving integrated domain controller MADC3.5, being our third domain control product solution for mid-high class automated driving, after the release of MADC2.0 and MADC2.5 series. MADC3.5 domain controllers aim at L2+ and L2++ level automated driving scenarios, fully upgraded in functional safety, cyber security and cockpit-driving integration, reflecting our deep understanding of automated driving domain control architectural design. In addition, the Group released two high-end front and rear zonal control solutions oriented to intelligent automotive field, adopting Infineon latest third-generation AURIX™ TC4x series multi-core processor.

On the other hand, the automated driving sector presents an obvious tendency of localization in the PRC, and the Group has maintained close cooperation with Beijing Horizon Robotics Technology R&D Co., Ltd. (北京地平線機器人技術研發有限公司) ("**Horizon Robotics**"), a leading automated driving chip company in the PRC, for many years. On 21 April 2023, the Group officially won the "Horizon Matrix® Platform" certificate for the MADC2.5 high performance automated driving system we developed and designed on the basis of dual Journey®5 chips. Such certification marks that our MADC2.5 products have officially passed the Matrix 5 standard hardware design certification, and Intron Technology as an ecological partner of Horizon Robotics can provide mature mass production platform solutions based on dual Journey®5 chips, for the practices of advanced intelligent driving.

Meanwhile, the Group signed a strategic cooperation agreement with Haomo AI Technology Co., Ltd. (毫末智行科技 有限公司), to build a highly competitive intelligent driving mass production program: single Journey®3 driving-parking integrated domain controller. Intron Technology as a solution provider will be responsible for intelligent driving project hardware design and manufacturing, and the expected cooperation scope will be the product development and supporting services within the automotive automated driving and intelligent driving system architecture and hardware architecture.

The Group will continue to strengthen its R&D and innovation in automated & connected vehicles solutions, and improve our technical advantages and market competitiveness in the field of intelligent driving, so as to bring more market opportunities and create potential space for business growth of the Group.

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 2023, the revenue from this business declined by 71% to RMB87.1 million, mainly due to a slowdown in the global server market demand along with the disappearance of pandemic in the second half of 2022, after peaking in the first half of 2022 due to short-term soaring demand. Starting from the second half of 2022, the Group's major cloud server customers lowered their annual demand, resulting in a decline in demand for this business in the first half of 2023 as compared to the corresponding period last year.

Research and Development and Group Development

R&D has always been a top priority for the Group's development. As electrification and automation becoming a major trend in the automotive industry, as well as its increasing complexity, the Group's outstanding technological advantages in this field enable us to further consolidate its market position and expand its market share. In the first half of 2023, the Group continued to increase its R&D investment in line with its asset-light R&D-heavy development policies. During the Period, R&D expenses increased by 59% year-on-year to RMB232.8 million, accounting for 8.9% (in the first half of 2022: 7.0%) of the Group's revenue. As at 30 June 2023, the Group had 1,058 full-time R&D-related professionals, representing 70% of its total workforce. During the Period, the Group owned 256 patents and 207 software copyrights, representing an increase of 21 patents and 20 software copyrights, respectively as compared with the corresponding period last year.

During the Period, Shanghai Qingheng Automotive Electronics Co., Limited (上海氩恒汽車電子有限公司) ("**Qingheng**"), a subsidiary of the Group, passed the examination and assessment organized by the Science and Technology Commission of Shanghai Municipality ("**STCSM**"), and became a "National Sci-Tech Small-Medium Enterprise", fully displaying the comprehensive strengths of Qingheng in technology innovation, research commercialization, R&D capabilities among others, and representing that Qingheng is able to engage in sci-tech research and development, obtain independent intellectual property rights and translate them into hi-tech products or services, and realize sustainable development.

The Group's R&D testing and validation centre has steadily improved its testing and validation capabilities in four main business categories: new energy vehicle control units of electric powertrain, thermal management, ADAS domain controller and hydrogenated electric control, to meet the testing and validation requirements brought by the Group's main business product sales expansion and product evolution. In face of new business expansion, the Group will improve its testing capabilities on air conditioning compressors, on-board wireless charging, and different domain control units and other products. During the Period, the Group established the Zonal Control Unit product testing and validation capability, developed hybrid dual-motor electric drivetrain testing capability, set up the oil-cooling electric drivetrain testing capability, and gradually established the testing and validation capability for high voltage components. Such equipment and facilities include: ethernet test bench, SOA portfolio services (top-to-bottom full chain development, testing and display) created within the Service Oriented Architecture ("**SOA**") development framework published by CAAM, motor control unit G4 platform software, BMS control unit localization design and development, launch of AURIX™ TC4-based domain control product solution platform. In the first half of 2023, independent R&D testing and validation centres undertook more than 350 of our testing projects, representing a notable year-on-year growth.

In terms of automated driving and new energy technology research and development, in 2023, the Group continued to build the third phase of electromagnetic compatibility ("**EMC**") facilities, including EMC design validation, highly accelerated life testing ("**HALT**"), environmental reliability testing, radiation immunity (RI), lightning surge immunity and other testing equipments. The Group will increase testing site of 1,300 square meters and testing & trial sites of over 4,000 square meters, mainly used for environmental reliability testing, air tightness testing, power loop test and other auxiliary tests, ready to enter into the trial and testing stage of modularization and deviceization, and further extend our validation patterns and capabilities, to ensure the quality of final products, improve R&D efficiency and reduce R&D costs.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of automated & connected vehicles R&D technology, the Group, after completing the MADC2.0 and MADC2.5 platform solutions based on Horizon Robotics Journey®5 chips, developed the cockpit-driving integrated product MADC3.5, which will be delivered to customers in the near future, empowering the development of next generation platform for customers; the functional safety concept in cockpit-driving integration comes from application of L3 automated driving, compliant with ASIL D grade, while incorporating “fail-operation” fault handing mechanism. This solution further enhances the security of fusion algorithms, improves and establishes the technical indicators for the middleware products of automated driving domain controllers, catering for the market demand. In addition, the Group has deployed ahead of schedule, to develop the new generation of millimeter-wave radar, camera and domain control product solutions based on the MIPI A-PHY standard.

In terms of smart cabin solutions R&D, the Group developed a in-cabin time-of-flight (ToF) solution and related sensor fusion middleware solution, to realize the mouse remote control function and the hand gesture gaming function, and provide an enhanced in-cabin human-machine communication and interactive experience. Meanwhile, the Group developed 60GHz in-cabin vital sign detection radar solution meeting EU standards, where the radar middleware can support child retention, occupancy detection, and intrusion detection among other functions. In the end, in accordance with the latest electronic camera monitoring system (“**CMS**”) national standard, the Group developed CMS control unit solution, available for two 2MP@60fps camera inputs and dual 1920*1080 screen posting.

In terms of sensor fusion solution R&D, for the positioning for automated driving: the Group developed low cost, highly robust sensor fusion algorithm framework and the multi-sensor mapping and positioning solution based on light detection and ranging (LIDAR), inertial measurement unit (IMU), global positioning system (GPS), speedometer and alike, to improve the reliability of fusion positioning system and increase the positioning accuracy to decimeter level. For the fusion detection algorithm of mainstream automated driving solutions for medium/high-end electric vehicles, the Group developed a 3D target detection algorithm based on the fusion of 4D millimeter wave radar point cloud and mono camera image sensor, to detect different types of objects at the same time, which makes up the shortcomings of visual sensor in spatial perception, with the fusion detection accuracy close to or beyond 64-laser radar detection effect. Such sensor fusion was successfully deployed on MADC2.x platform. In addition, for the security research of perception algorithms, the Group made real-time monitoring of sensor performance constraints (e.g. weather, occlusion) based on deep learning algorithms, which can effectively detect common sensor input disturbances, realize the deployment of the models, which is suitable for safe and real-time driving applications, and further improve the system security.

In order to meet the increasing demand for mass delivery, the Group used 3D modeling technology to erect the virtual testing scenarios for automated driving, and developed virtual scenarios simulation solution with multiple sensor support. By looping back real-time environment data to controller hardware, Intron developed hardware-in-the-loop solution which will substantially increase the efficiency of control algorithms validation before mass deployment.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group developed rapidly in every R&D field, and the applications supporting and working with customers in R&D will play an important role in the future automotive industry development. In terms of automated & connected vehicles mass production projects, the Group currently had a number of mass production projects with OEMs and tier 1 suppliers, such as ADAS control units R&D, L1-L2 ADAS control units, domain controllers for L2+, service-oriented gateway controller, gateway software development services, UISEE 4G T-BOX controller, hybrid gateway controller, software engineering services, software-hardware integrated product development. The projects under preparation included: the functional safety development of high-level automated driving, the development of new generation automated driving domain control platform, technical pre-research of intelligent antenna controller, automotive communication control unit with vehicle-to-everything (V2X), ultra-wideband (UWB), and 5G communication among other functions, cockpit controller upgrading, cockpit-parking integrated domain controller, perception CMS, system solution development, underlying software development, software engineering services, and hardware platform development and so on. In terms of higher education cooperation, the Group supported Tongji University's school-enterprise cooperation projects, and built ADAS demonstration vehicles.

The Group's R&D follows the principle of "staying close to customer with multi-location R&D facilities", to absorb more excellent talents and improve R&D strength and brand service quality. In 2023, the Group enlarged investment in R&D bases, including Shanghai base of 2,500 square meters and Shenzhen base of 700 square meters. In addition, the Group will establish a R&D centre in Hong Kong Science Park for the purpose of the development of automated & connected vehicle software, advanced power semiconductor applications, and collaborative robots solutions. The centre is expected to operate officially in November 2023, preparing for the Group's overseas expansion following Chinese automotive brands going global.

Outlook

The centre of gravity of global automotive market is moving to the PRC. As the localization ratio of automotive market as a whole is rising and the penetration ratio of new energy automotive market is growing, the Group expects that Chinese automotive market will remain positive, where the developmental priority of the Group will be new energy, automated & connected vehicles solutions. The Group insists on the asset-light, research-heavy business model, together with a management team experienced in electrification and intelligence fields, and deep understanding of the market, making the Group confident in keeping growth in this direction.

CAAM points out that in 2023, the automotive sales volume in the PRC is expected to increase year-on-year by approximately 3% to 27.6 million units; however, the sales volume of new energy vehicles is expected to exceed 9 million units, representing a year-on-year increase of 35%, and it is anticipated that Chinese automotive market will continue to show a stable and positive development trend, which will contribute to the Group's future business development. Given governmental support for electric vehicles and global focus on environmental protection, the sales of new energy vehicles is not only accelerated by new energy resources, but also by intelligence, which is expected to further promote the Group's overall business performance. We continue to be optimistic about future growth.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of automated & connected vehicles business, the Group will keep a keen eye on industry development and market changes, continuously improve and enhance our competence in electrical/electronic architecture and software development, maintain our industry leadership, committed to simplifying the complexity of intelligent automotive design with advanced semiconductor applied technologies, and make vehicles more intelligent, efficient and secure. Intron Technology will work with more industrial eco-partners to offer more innovative technologies and products solutions.

In terms of cloud server business, the soar of ChatGPT may raise the demands for AI-related servers, but this is still pending the test with time. The Group will continue prudent in business and pay close attention to market changes.

In terms of R&D, the Group always insists on enhancing the capabilities of R&D and innovation. The Group will continue developing the products and technologies in the core electric controller of hydrogen fuel-cell, to bring about more specialized, efficient, excellent electric control solutions for zero-carbon society and green travel, drive the commercialization of sustainable green energy resources in automotive, industrial and other fields. In addition, the Group will continue to establish new R&D centres and increase its investment in R&D while maintaining a sound financial position.

R&D centres direction:

- Automated driving domain control solutions testing & validation platform, including hardware-in-the-loop testing system;
- Silicon carbide (SiC) high power module reliability and life testing & validation platform for electric drivetrain system;
- Sensor fusion and scenario recognition scheme development based on neural network technology;
- Automotive-grade software and middleware platform supporting cross-platform deployment, cross-domain integration, in compliance with functional and information security;
- Domain controller testing & validation platform for next generation vehicle electrical/electronic architecture.

The Group believes that our R&D investment over many years will form R&D platform and industrialization platform, and convert into the Group's core competence.

Looking ahead, in the context of global automotive electrification, intelligence and connection, the Group is optimistic about business growth, and will continue catering to the electrification and intelligence requirements of OEMs, and constantly improve our industrial service platform. In addition, the Group will continue to increase its investment in R&D and consolidate its leading position in the industry, in order to achieve long-term sustainable growth and generate desirable returns for shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, total revenue increased by 27% year-on-year to RMB2,626.2 million, due to strong performance of automotive segments in particular the revenue of New Energy segment and strong growth in the revenue of 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		Year-on-year Change
	2023	2022	
New Energy	1,252,967	792,739	+58%
Body Control	416,750	430,411	-3%
Safety	390,219	272,622	+43%
Powertrain	218,721	155,173	+41%
Automated & Connected Vehicles	203,345	93,418	+118%
Cloud Server	87,126	301,751	-71%
Rendering of Services & Others	57,032	29,187	+95%
Total	2,626,160	2,075,301	+ 27%

Gross Profit and Gross Profit Margin

Gross profit for the six months ended 30 June 2023 increased by 21% to RMB541.0 million as compared to the corresponding period last year. The Group's overall gross profit margin for the six months ended 30 June 2023 was 20.6% (for the six months ended 30 June 2022: 21.6%).

Other Income and Gains

The Group's other income and gains mainly included bank interest income, government grants, gain on financial assets and others. For the six months ended 30 June 2023, other income and gains increased by 39% to RMB15.2 million, mainly due to the increase in gain on financial assets 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 RMB53.4 million, representing an increase of 12% as compared to the corresponding period in 2022. The increase was mainly attributable to the rise in travelling expenses and sales personnel support for the business growth.

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, 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 RMB274.4 million, representing an increase of 35% as compared to the corresponding period in 2022. In particular, (a) R&D expenses charged to administrative amounting to RMB205.8 million, together with the amortisation of deferred development costs of RMB27.0 million charged to cost of sales, the total R&D expenses amounted to RMB232.8 million accounting for 8.9% of revenue. The 59% increase in R&D expenses as compared with the corresponding period in 2022 was beneficial to the development of solutions and products to capture the enormous market growth in future, and (b) other administrative expenses amounted to RMB68.6 million, representing an increase of 20% as compared to corresponding period last year, which was mainly due to higher 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 RMB36.1 million during the Period under review, representing an increase of 50% as compared to the corresponding period last year, which was mainly due to increase in foreign exchange losses.

Finance Costs

During the Period under review, finance costs amounted to RMB46.8 million, representing an increase of 197% as compared to the corresponding period in 2022, which was mainly due to the increase in bank borrowings to facilitate the business growth as well as the rise of bank borrowing rate.

Income Tax Credit/(Expense)

During the Period under review, income tax credit amounted to RMB6.9 million, representing a fluctuation of 142% from income tax expenses of RMB16.3 million for the corresponding period in 2022, 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 increased by 1% from RMB151.4 million for the six months ended 30 June 2022 to RMB152.1 million for the six months ended 30 June 2023.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period under review, the Group continued to maintain a satisfactory and healthy liquidity position. As at 30 June 2023, the Group had cash and cash equivalents of RMB534.8 million (31 December 2022: RMB336.9 million).



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, the Group recorded net current assets of RMB1,549.6 million (31 December 2022: RMB1,444.2 million). Capital expenditure for the first half of the year were RMB41.7 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 2023, the gearing ratio of the Group was 48% (31 December 2022: 41%), 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 2023, the Group had outstanding bank loans amounting to RMB1,391.7 million (31 December 2022: RMB950.2 million). The bank loans of the Group denominated in US\$ and RMB amounted to RMB601.7 million (31 December 2022: RMB789.3 million) and RMB790.0 million (31 December 2022: RMB160.9 million), respectively. Should other opportunities arise requiring additional fund, the Group is in a good position to obtain such financing.

As at 30 June 2023, certain of the Group's bank loans, letter of guarantee and notes payable are secured by the pledges over certain of the Group's deposits amounting to RMB151.1 million (31 December 2022: RMB48.9 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 2022: 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 2023, the Group had capital commitments contracted, but not provided for, amounting to RMB44.5 million (31 December 2022: RMB4.8 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 2022: nil).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have significant contingent liabilities (31 December 2022: 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 2023, the Group had 1,517 employees (30 June 2022: 1,171 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 RMB226.5 million, equivalent to 8.6% of the Group's revenue in the Period.

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

As at 30 June 2023, the Group had a total of 59,172,050 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 and 25 November 2022, 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 did not record any forfeited contribution from the MPF Scheme for the six months ended 30 June 2023 to reduce the existing level of contributions (for the year ended 31 December 2022: nil).

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

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 2023 and the expected timeframe for utilizing the remaining unused Net Proceeds are set out below:

Use of proceeds	Planned applications (RMB million)	Percentage of total Net Proceeds (%)	Actual usage up to 30 June 2023 (RMB million)	Unutilized Net Proceeds as at 30 June 2023 (RMB million)	Expected timeframe for utilizing the remaining unused Net Proceeds
1. For the expansion of R&D capabilities	196.6	30	196.6	0	N/A
2. For the enhancement of R&D infrastructure	196.6	30	196.6	0	N/A
3. For the acquisitions of R&D capabilities	196.6	30	135.5	61.1	Expected to be fully utilized by end of 2024
4. General working capital	65.6	10	65.6	0	N/A
Total	655.4	100	594.3	61.1	

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.

During the Period, the net proceeds from the Placing have been used for the purpose consistent with that disclosed on the aforementioned announcements. The planned applications of the net proceeds from the Placing and actual usage of such net proceeds up to 30 June 2023 are set out below:

Use of proceeds	Planned applications (RMB million)	Percentage of total net proceeds (%)	Actual usage up to 30 June 2023 (RMB million)	Unutilized net proceeds as at 30 June 2023 (RMB million)
1. Developing software platform towards intelligent driving solutions	62.0	25	62.0	0
2. Further developing software systems and electronic controls solutions for automotive electric vehicle	35.0	14	35.0	0
3. Application of higher power semiconductor solutions	35.0	14	35.0	0
4. Further developing the Group’s testing and validation centre for intelligent driving	62.0	25	62.0	0
5. General working capital	58.6	22	58.6	0
Total	252.6	100	252.6	0

As at 30 June 2023, the net proceeds from the Placing have 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.

DISCLOSURE OF INTERESTS

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

As at 30 June 2023, 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)	48.28%
Treasure Map Ventures Limited (" Treasure Map ") ^(4 & 5)	Beneficial owner	75,000,000 (L)	6.90%
Heroic Mind Limited (" Heroic Mind ") ^(6 & 7)	Beneficial owner	75,000,000 (L)	6.90%
Zenith Benefit Investments Limited (" Zenith Benefit ") ^(3, 5 & 7)	Beneficial owner	42,970,000 (L)	3.95%

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 to 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 642,970,000 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 642,970,000 Shares directly held by the aforesaid three holding companies.

Save as disclosed above, as at 30 June 2023, 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 2023, 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 10 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 Shares

Name of Shareholder	Nature of Interest	Number of securities held ⁽¹⁾	Approximate shareholding percentage (%)
Mr. Luk ⁽²⁾	Interest of controlled corporations	642,970,000 (L)	59.13%
Mr. Chan ⁽³⁾	Interest of controlled corporations	642,970,000 (L)	59.13%
Ms. Zhang Dan ⁽⁴⁾	Interest of spouse	642,970,000 (L)	59.13%
Ms. Zhang Hui ⁽⁵⁾	Interest of spouse	642,970,000 (L)	59.13%
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)	0.0023%

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 642,970,000 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 642,970,000 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 642,970,000 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 642,970,000 Shares in which Mr. Chan is interested.

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 2023	Exercise price per share HK\$
			Balance as at 1 January 2023	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 2023, none of the Directors or the chief executives of the Company or any of their respective associates had any interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at 12 July 2018 (the date on which the Shares were listed on the Main Board of the Stock Exchange), i.e. 100,000,000 Shares, representing approximately 9.19% of the issued share capital of the Company as at the date of this report. Subject to the issue of a circular by the Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

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

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



DISCLOSURE OF INTERESTS

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

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

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

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

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

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

DISCLOSURE OF INTERESTS

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

Category	Date of grant	Exercisable period	Balance as at 1 January 2023	Granted during the Period	Number of share options			Balance as at 30 June 2023	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 ⁽⁶⁾	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 ⁽⁶⁾	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⁾	19,193,050	-	386,000	-	-	18,807,050	2.662
	30 September 2020 ⁽³⁾	1 October 2021 to 30 September 2027 ⁽⁴⁾	3,325,000	-	-	150,000	-	3,175,000	2.810
	18 May 2021 ⁽⁶⁾	1 June 2022 to 31 May 2028 ⁽⁶⁾	21,085,000	-	110,000	180,000	-	20,795,000	4.25
	25 Nov 2022 ⁽⁷⁾	1 December 2023 to 30 May 2029 ⁽⁸⁾	13,020,000	-	-	280,000	-	12,740,000	4.324
Total			60,278,050	-	496,000	610,000	-	59,172,050	

Notes:

- The closing prices of the Shares immediately before the grant of share options on 21 January 2019 was HK\$2.66.
- 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.



DISCLOSURE OF INTERESTS

- 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) 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.
- 10) The weighted average closing price of the Shares immediately before the dates on which the Granted Options were exercised was HK\$5.19.
- 11) 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 Scheme was 58,424,550, representing approximately 5.37% of the issued share capital of the Company.

As at the date of this report, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 30,387,650, representing approximately 2.79% of the issued share capital of the Company.

The number of options available for grant under the share option scheme is 29,402,650 as at 1 January 2023 and 30,012,650 as at 30 June 2023.



OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions of the Corporate Governance code (“**CG Code**”) as set out in Appendix 14 to the 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 10 of the Listing Rules as its own code for securities transactions by the Directors.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines during the Period under review and as at the date of this report. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.



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 2023

	Notes	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
REVENUE	5	2,626,160	2,075,301
Cost of sales		(2,085,204)	(1,627,501)
Gross profit		540,956	447,800
Other income and gains	5	15,183	10,945
Selling and distribution expenses		(53,394)	(47,582)
Administrative expenses		(274,421)	(203,251)
Other expenses		(36,055)	(23,968)
Finance costs	7	(46,822)	(15,751)
Share of loss of associates		(258)	(450)
PROFIT BEFORE TAX	6	145,189	167,743
Income tax credit/(expense)	8	6,925	(16,346)
PROFIT FOR THE PERIOD		152,114	151,397
Attributable to:			
Owners of the parent		154,456	152,556
Non-controlling interests		(2,342)	(1,159)
		152,114	151,397
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	10	RMB14.21 cents	RMB14.06 cents
Diluted	10	RMB13.99 cents	RMB13.95 cents



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
PROFIT FOR THE PERIOD	152,114	151,397
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	(32,175)	(39,167)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(32,175)	(39,167)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	27,098	39,336
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	27,098	39,336
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(5,077)	169
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	147,037	151,566
Attributable to:		
Owners of the parent	149,379	152,725
Non-controlling interests	(2,342)	(1,159)
	147,037	151,566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	206,443	195,156
Right-of-use assets		24,763	33,171
Other intangible assets	12	341,283	325,309
Investment in associates		12,407	12,666
Financial assets at fair value through profit or loss		104,389	85,218
Equity investment designated at fair value through other comprehensive income		3,324	3,324
Deferred tax assets		76,783	53,599
Advance payments for property, plant and equipment		55,297	15,616
Total non-current assets		824,689	724,059
CURRENT ASSETS			
Inventories	13	1,507,331	1,085,576
Trade and notes receivables	14	1,628,222	1,697,742
Contract assets		–	61
Prepayments, other receivables and other assets	15	262,281	181,668
Derivative financial instruments		3,908	–
Pledged deposits		151,080	48,861
Cash and cash equivalents	16	534,786	336,946
Total current assets		4,087,608	3,350,854
CURRENT LIABILITIES			
Trade and notes payables	17	279,088	330,658
Other payables and accruals	18	997,857	577,698
Derivative financial instruments		–	971
Interest-bearing bank and other loans	19	1,211,039	950,221
Lease liabilities		18,664	20,205
Tax payable		31,335	26,923
Total current liabilities		2,537,983	1,906,676
NET CURRENT ASSETS		1,549,625	1,444,178
TOTAL ASSETS LESS CURRENT LIABILITIES		2,374,314	2,168,237



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		6,340	12,735
Government grants	20	820	940
Deferred tax liabilities		5,955	5,925
Interest-bearing bank and other loans	19	180,645	–
Total non-current liabilities		193,760	19,600
Net assets		2,180,554	2,148,637
EQUITY			
Equity attributable to owners of the parent			
Share capital	21	9,246	9,241
Reserves		2,162,995	2,128,741
		2,172,241	2,137,982
Non-controlling interests		8,313	10,655
Total equity		2,180,554	2,148,637

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Statutory surplus reserves* RMB'000	Capital reserve* RMB'000	Exchange fluctuation reserve* RMB'000	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 2022 (unaudited)											
At 1 January 2022	9,221	935,542	32,267	15,666	7,733	25,593	-	716,601	1,742,623	593	1,743,216
Profit for the period	-	-	-	-	-	-	-	152,556	152,556	(1,159)	151,397
Other comprehensive income for the period:											
Exchange differences on translation of the Company	-	-	-	-	-	39,336	-	-	39,336	-	39,336
Exchange differences on translation of foreign operations	-	-	-	-	-	(39,167)	-	-	(39,167)	-	(39,167)
Total comprehensive income for the period	-	-	-	-	-	169	-	-	169	-	169
Equity-settled share option arrangements	-	-	6,896	-	-	-	-	-	6,896	-	6,896
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	10	10
Exercise of share options	5	1,338	(505)	-	-	-	-	-	1,338	-	1,338
Final dividends declared and approved	-	-	-	-	-	-	-	(63,012)	(63,012)	-	(63,012)
At 30 June 2022	9,226	937,380	38,658	15,666	7,733	25,762	-	806,145	1,840,570	(556)	1,840,014
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

* These reserve accounts comprise the consolidated reserves of RMB2,162,995,000 (31 December 2022: RMB2,128,741,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Net cash flows from/(used in) operating activities	7,573	(8,917)
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(71,199)	(24,652)
Additions to other intangible assets	(47,757)	(63,546)
Purchase of a shareholding in an associate	–	–
Purchase of financial assets at fair value through profit or loss	(19,171)	(22,000)
Net cash flows used in investing activities	(138,127)	(110,198)
FINANCING ACTIVITIES		
Proceeds from issuance of shares upon exercise of share options	1,301	1,308
Net proceeds from bank and other loans	429,859	(22,878)
(Increase)/decrease in pledged deposits	(102,220)	310
Other financing cash flows (net)	(10,241)	(7,867)
Net cash flows from/(used in) financing activities	318,699	(29,127)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	188,145	(148,242)
Effect of foreign exchange rate changes, net	9,695	27,965
Cash and cash equivalents at beginning of period	336,946	571,747
CASH AND CASH EQUIVALENTS AT END OF PERIOD	534,786	451,470

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2023 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

These Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

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 2022, 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.

HKFRS 17	<i>Insurance Contract</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</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 2023

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	
	2023 RMB'000	2022 RMB'000
Hong Kong	13,054	9,641
Mainland China	2,613,056	2,060,170
Other countries/regions	50	5,490
	2,626,160	2,075,301

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

(b) Non-current assets

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
	Hong Kong	55,561
Mainland China	690,876	624,828
Other countries/regions	1,468	484
	747,905	670,460

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 2023

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	
	2023 RMB'000	2022 RMB'000
Customer 1	278,305	N/A*
Customer 2	N/A*	227,265
Customer 3	N/A*	224,372

* 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	
	2023 RMB'000	2022 RMB'000
(i) Revenue from contracts with customers		
At a point in time		
– Sale of products	2,610,648	2,073,721
– Rendering of consulting services	15,512	1,580
	2,626,160	2,075,301
(ii) Other income		
Government grants*	5,807	5,641
Bank interest income	3,293	2,111
Investment income from financial assets at fair value through profit or loss	5,030	598
Others	1,018	2,566
	15,148	10,916
(iii) Gains		
Gain on disposal of items of property, plant and equipment	35	29
	15,183	10,945

* 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 2023

6. PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Cost of inventories sold	2,080,214	1,626,726
Cost of services provided	4,990	775
Depreciation of property, plant and equipment	24,712	17,546
Depreciation of right-of-use assets	10,982	8,858
Amortisation of patents and software*	4,447	3,254
Research and development costs:		
Deferred expenditure amortised*	26,964	8,970
Current period expenditure	205,811	137,244
	232,775	146,214
Lease payments not included in the measurement of lease liabilities	2,917	2,304
Government grants	(5,807)	(5,641)
Bank interest income	(3,293)	(2,111)
Foreign exchange losses, net	35,550	23,967
Employee benefit expense (excluding directors' and co-chief executives' remuneration):		
Wages and salaries	214,012	205,589
Equity-settled share option and award expense	11,845	6,669
Pension scheme contributions***	37,408	26,922
Staff welfare expenses	5,776	2,171
Less: Amount capitalised	(30,743)	(58,605)
	238,298	182,746
Write-down of inventories to net realizable value**	8,941	9,410

* 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 2023

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interest on bank borrowings	35,212	8,119
Interest on discounted notes receivable	10,989	6,865
Interest on lease liabilities	621	767
	46,822	15,751

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% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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 subject to a preferential income tax rate of 15% (2022: 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% (2022: 10%) during the period.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

8. INCOME TAX (CONTINUED)

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current – Mainland China		
Charge for the period	101	19,115
Current – Hong Kong		
Charge for the period	16,182	8,551
Deferred tax	(23,208)	(11,320)
Total tax (credit)/charge for the period	(6,925)	16,346

9. DIVIDENDS

The Directors did not recommend the payment of a dividend by the Company for the six months ended 30 June 2023.

On 29 May 2023, a final dividend for the year ended 31 December 2022 of HK13.1 cents per ordinary share (2021: HK 6.8 cents), amounting to HK\$142,454,000 (equivalent to RMB128,337,000), has been approved by the shareholders at the annual general meeting of the Company. The 2022 final dividend was paid in July 2023 and is reflected as dividends payable in these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 1,087,215,067 (six months ended 30 June 2022: 1,084,798,838) 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	
	2023 RMB'000	2022 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	154,456	152,556

	Unaudited Six months ended 30 June	
	2023 Number of shares	2022 Number of shares
Shares		
Weighted average number of ordinary shares in issue during the period	1,087,215,067	1,084,798,838
Effect of dilution – weighted average number of ordinary shares:		
Share options	16,792,228	8,904,058
	1,104,007,295	1,093,702,896



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB37,294,000 (six months ended 30 June 2022: RMB22,140,000). The Group also disposed of certain items of property, plant and equipment at the aggregate carrying amount of RMB748,000 (six months ended 30 June 2022: RMB1,075,000) during the period.

12. OTHER INTANGIBLE ASSETS

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Opening net book value	325,309	223,972
Additions – internal development	43,395	119,538
Additions – others	4,362	10,327
Amortization	(31,783)	(28,528)
Closing net book value	341,283	325,309

13. INVENTORIES

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Semiconductor devices and electronic components	1,507,331	1,085,576

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

14. TRADE AND NOTES RECEIVABLES

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Trade receivables	1,547,705	1,490,181
Notes receivable	92,698	219,610
	1,640,403	1,709,791
Impairment	(12,181)	(12,049)
	1,628,222	1,697,742

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 RMB4,134,000 as at 30 June 2023 (31 December 2022: RMB44,557,000), 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 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Less than 3 months	1,440,049	1,384,454
3 to 6 months	77,509	42,037
6 to 12 months	11,986	31,380
1 to 2 years	5,928	20,097
Over 2 years	52	164
	1,535,524	1,478,132

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Prepayments	197,411	151,736
Prepaid expenses	14,719	5,252
Interest receivables	462	158
Other tax recoverable	18,663	689
Deposits and other receivables	31,026	23,833
	262,281	181,668

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Cash and bank balances	534,786	336,946
Pledged deposits	151,080	48,861
	685,866	385,807
Less: Pledged deposits		
– Pledged for bank borrowings (note 19)	(60,452)	(41,249)
– Pledged for letter of guarantee	(40,608)	(5,600)
– Pledged for notes payable	(50,020)	(2,012)
Cash and cash equivalents	534,786	336,946

17. TRADE AND NOTES PAYABLES

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Trade payables	279,038	323,680
Notes payables	50	6,978
	279,088	330,658

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

17. TRADE AND NOTES PAYABLES (CONTINUED)

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

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Less than 3 months	271,598	292,073
3 to 6 months	6,286	30,441
6 to 12 months	662	491
1 to 2 years	291	445
Over 2 years	201	230
	279,038	323,680

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

18. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Other payables	638,548	292,570
Dividends payable	131,343	–
Taxes payable other than corporate income tax	57,916	45,050
Payroll and welfare payable	72,097	127,361
Contract liabilities	94,051	109,507
Payables for purchase of property, plant, equipment and other intangible assets	3,902	3,210
	997,857	577,698

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

19. INTEREST-BEARING BANK AND OTHER LOANS

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

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Within 1 year or on demand	1,211,039	950,221
Between 1 and 2 years	45,161	–
Between 2 and 5 years	135,484	–
	1,391,684	950,221
Less: Non-current portion	180,645	–
Current Portion	1,211,039	950,221

Note:

Certain of the Group's bank loans are secured by the pledges over certain of the Group's deposits amounting to RMB60,452,000 as at 30 June 2023 (31 December 2022: RMB41,249,000) and are guaranteed by the intercompany of the Group.

20. GOVERNMENT GRANTS

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Current	–	–
Non-current	820	940

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 2023

21. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each At 31 December 2022 and 30 June 2023 (unaudited)	2,400,000,000	24,000
Issued and fully paid:		RMB'000
Ordinary shares of HK\$0.01 each At 1 January 2022	1,084,630,400	9,221
Share options exercised	2,339,500	20
At 31 December 2022 and 1 January 2023	1,086,969,900	9,241
Shares options exercised (note (a))	496,000	5
At 30 June 2023 (unaudited)	1,087,465,900	9,246

Notes:

- (a) The subscription rights attaching to 496,000 share options were exercised at the subscription prices ranging from HK\$2.662 to HK\$4.25 per share, resulting in the issue of 496,000 shares for a total cash consideration, before expenses, of HK\$1,495,000 (equivalent to RMB1,324,000). An amount of HK\$614,000 (equivalent to RMB543,000) was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

22. PLEDGE OF ASSETS

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

23. COMMITMENTS

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

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Contracted, but not provided for: Patents, plant and machinery	44,540	4,813

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	
	2023 RMB'000	2022 RMB'000
Sales of products and services to: United Trinity Electronics Company Limited*	21,238	14,460

- * 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	
	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefit in kind	10,650	9,475
Pension scheme contributions	159	215
Equity-settled share option and award expense	182	423
Total compensation paid to key management personnel	10,991	10,113



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 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	-	92,698	-	92,698
Equity investments designated at fair value through other comprehensive income	-	-	3,324	3,324
Derivative financial instruments	-	3,908	-	3,908
Financial assets at fair value through profit or loss	-	-	104,389	104,389
Total	-	96,606	107,713	204,319

As at 31 December 2022

	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	-	219,610	-	219,610
Equity investments designated at fair value through other comprehensive income	-	-	3,324	3,324
Financial assets at fair value through profit or loss	-	-	85,218	85,218
Total	-	219,610	88,542	308,152

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

Fair value hierarchy (Continued)

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2023.

As at December 2022

	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	-	971	-	971

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 2022: Nil).

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

Hong Kong, 23 August 2023

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.