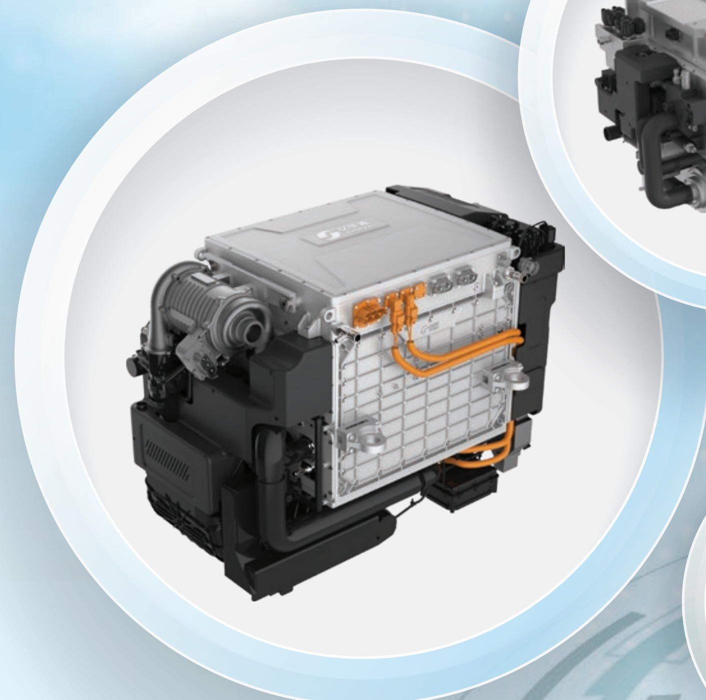
亿华通
SinoHytec

北京億華通科技股份有限公司
Beijing SinoHytec Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2402



Global Offering

Joint Sponsors

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Giraffe
智富

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

CITIC SECURITIES

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain professional independent advice.

亿华通 北京億華通科技股份有限公司
SinoHytec Beijing SinoHytec Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Global Offering

Number of Offer Shares under the Global Offering	**:**	**17,628,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**1,762,800 H Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**15,865,200 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$76.00 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**2402**

Joint Sponsors

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Giraffe 智富

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

CITIC SECURITIES

Joint Bookrunners and Joint Lead Managers

安信國際 ESSENCE INTERNATIONAL 中泰國際 ZHONGTAI INTERNATIONAL 光大證券 EVERBRIGHT SECURITIES | 國際 INTERNATIONAL 浦銀國際 SPDB INTERNATIONAL ICBC 工银国际 富途證券 華盛証券 Valuable Capital Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix VII — Documents Delivered to the Registrar of Companies and Documents on Display" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, January 5, 2023 (Hong Kong time) and, in any event, not later than Friday, January 6, 2023 (Hong Kong time). The Offer Price will not be more than HK$76.00 per Offer Share and is currently expected to be not less than HK$60.00 per Offer Share. If, for any reason, the Offer Price is not agreed by Friday, January 6, 2023 (Hong Kong time) between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$60.00 to HK$76.00) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at www.sinohytec.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and almost all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors," "Regulatory Overview", "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. See "Underwriting".

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.sinohytec.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 29, 2022

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the **Stock Exchange at www.hkexnews.hk** under the ***"HKEXnews > New Listings > New Listing Information*"** section, and our website at **www.sinohytec.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 50 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
50	3,838.32	800	61,413.17	7,000	537,365.22	100,000	7,676,646.00
100	7,676.65	900	69,089.81	8,000	614,131.68	200,000	15,353,292.00
150	11,514.97	1,000	76,766.45	9,000	690,898.15	300,000	23,029,938.00
200	15,353.29	1,500	115,149.69	10,000	767,664.60	400,000	30,706,584.00
250	19,191.61	2,000	153,532.92	20,000	1,535,329.20	500,000	38,383,230.00
300	23,029.94	2,500	191,916.16	30,000	2,302,993.80	600,000	46,059,876.00
350	26,868.26	3,000	230,299.38	40,000	3,070,658.40	700,000	53,736,522.00
400	30,706.59	3,500	268,682.61	50,000	3,838,323.00	800,000	61,413,168.00
450	34,544.90	4,000	307,065.85	60,000	4,605,987.60	881,400*	67,661,957.84
500	38,383.24	4,500	345,449.06	70,000	5,373,652.20		
600	46,059.88	5,000	383,832.30	80,000	6,141,316.80		
700	53,736.53	6,000	460,598.75	90,000	6,908,981.40		

* Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Company's website at ***www.sinohytec.com*** *and the website of the Stock Exchange at* ***www.hkexnews.hk****.*

Hong Kong Public Offering commences . . . . .9:00 a.m. on Thursday, December 29, 2022

Latest time to complete electronic applications under the **HK eIPO White Form** service through one of the below ways[2]:

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

(2) the designated website **www.hkeipo.hk** . . . . 11:30 a.m. on Thursday, January 5, 2023

Application lists open[3]. . . . . .11:45 a.m. on Thursday, January 5, 2023

Latest time to give **electronic application instructions** to HKSCC[4]. . . . . 12:00 noon on Thursday, January 5, 2023

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Thursday, January 5, 2023

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[3] . . . . 12:00 noon on Thursday, January 5, 2023

Expected Price Determination Date[5] . . . . Thursday, January 5, 2023

(1) Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published on our website at **www.sinohytec.com**[6] and the website of the Stock Exchange at **www.hkexnews.hk**[6] on or before[10] . . . . Wednesday, January 11, 2023

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus from[10]. . . . . Wednesday, January 11, 2023

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.sinohytec.com**[6] from[10] . . . . Wednesday, January 11, 2023

Result of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available at the "IPO Results" function in the **IPO App** or at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result** with a "search by ID" function from[10] . . . . Wednesday, January 11, 2023

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[7][10] . . . . Wednesday, January 11, 2023

HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering to be dispatched on or before[8][9][10] . . . . Wednesday, January 11, 2023

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at[10]. . . . . .9:00 a.m. on Thursday, January 12, 2023

The application for the Hong Kong Offer Shares will commence on Thursday, December 29, 2022 through Thursday, January 5, 2023, being longer than normal market practice of three and a half days. The application monies (including the brokerage fees, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, January 11, 2023. Investors should be aware that the dealings in the H Shares on the Stock Exchange are expected to commence on Thursday, January 12, 2023.

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(1) All dates and times refer to Hong Kong local dates and time, except as otherwise stated.

(2) You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. **If you have already submitted your application through the IPO App or the designated website at www.hkeipo.hk and obtained an application reference number from the IPO App or the designated website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.**

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 5, 2023, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists".

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying through the **CCASS EIPO** Service" in this prospectus.

(5) The Price Determination Date is expected to be on or about Thursday, January 5, 2023 and, in any event, not later than Friday, January 6, 2023. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or before Friday, January 6, 2023, the Global Offering will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates for the Hong Kong Offer Shares will only become valid evidence of title provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with their terms prior to 9:00 a.m. on the Listing Date. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so at their own risk.

(8) e-Auto Refund payment instruction/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

(9) Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares may collect any refund cheques and/or H Share certificates in person from our H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, January 11, 2023 or such other date as notified by us as the date of dispatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar. Applicants who have applied for Hong Kong Offer Shares through the **CCASS EIPO** service should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of H Share Certificates and Refund Monies — Personal Collection — (ii) If you apply through the **CCASS EIPO** service" in this prospectus for details. See "How to Apply for Hong Kong Offer Shares".

Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through single bank account may have refund monies (if any) dispatched to the bank account, in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions, in the form of refund cheques in favor of the applicant (or, in the case of joint applications, the first-named applicant), by ordinary post at their own risk.

H Share certificates and/or refund cheques (if applicable) for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of H Share Certificates and Refund Monies" in this prospectus.

(10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions between Thursday, December 29, 2022 to Thursday, January 12, 2023, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of H Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The H Share certificates will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with their respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Thursday, January 12, 2023. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The above expected timetable is a summary only. See "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering. Information contained in our website, ***www.sinohytec.com****, does not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in our H Shares.

There are risks associated with any investment. Some of the particular risks in investing in our H Shares are set forth in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our H Shares.

OVERVIEW

Who We Are. We are a leading provider of fuel cell systems[(1)] in China, focusing on the design, development and manufacture of fuel cell systems and stacks (a key component of the system) mainly for commercial vehicles, such as buses and trucks. According to the CIC Report, we ranked first in the PRC fuel cell system market in terms of the total power output of fuel cell systems sold[(2)] in 2021, with a market share of 27.8%; and in 2021, fuel cell systems accounted for approximately 0.8% of the total sales volume of new energy systems for commercial vehicles in China, while lithium battery systems accounted for the rest of the total sales volume. As of June 30, 2022, our fuel cell systems were installed on 80 models of fuel cell vehicles that are featured in the MIIT New Energy Vehicle Catalogs, ranking us first in the industry.

We generate revenue primarily from the (i) sales of fuel cell systems, (ii) sales of fuel cell components, and (iii) provision of technology development services. Our products cover a wide power output spectrum from 30kW to 240kW, enabling us to meet various customer demands and multiple application scenarios. Our products are mainly used by commercial vehicles such as city buses, intercity buses and cold chain logistics vehicles. We established solid long-term partnerships with commercial vehicle manufacturers in China such as Beiqi Foton, Yutong Bus and Geely Commercial Vehicles. We also participate in international collaborations and codeveloped with Toyota and Beiqi Foton transit buses using our fuel cell systems which are designated as the official transport vehicles at the Beijing 2022 Olympic Winter Games. Since the launch of our first commercialized product in 2016, we have sold an aggregate of over 2,900 units to over 20 commercial vehicle manufacturers in China. Our fuel cell systems are installed on commercial vehicles operating across various PRC cities, including Beijing, Zhangjiakou, Shanghai, Chengdu, Zhengzhou and Zibo. As of the Latest Practicable Date, our fuel cell systems have powered over 2,800 fuel cell vehicles on the road in China. These vehicles had an average mileage of around 40,000 kilometers per vehicle, accumulating over 108.6 million kilometers and 2.3 million hours of operations, which built an industry leading record.

We were initially listed on the NEEQ in 2016 and raised an aggregate amount of RMB790 million through equity financing. In August 2020, we became listed on the SSE STAR Market, and since then we have raised an aggregate amount of RMB1.55 billion through equity financing. We believe our equity financing capabilities reflect the recognition of the capital markets and investors of us, which gave us more flexibility in making substantial capital investments, putting us in a more advantageous position than our peers.

(1) Fuel cell system is a vehicle power system that converts the chemical energy of hydrogen and an oxidizing agent (often oxygen) into electricity through electrochemical reactions.

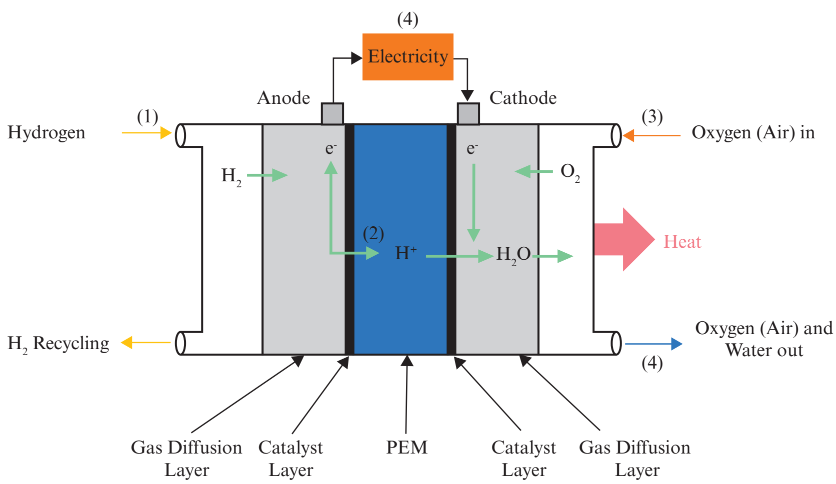
(2) Sales volume of fuel cell systems comprises only direct sales to fuel cell vehicle manufacturers.

During the Track Record Period, although we have experienced net losses since 2020, our revenue grew from RMB553.6 million in 2019 to RMB572.3 million in 2020 and further to RMB629.4 million in 2021, and from RMB117.8 million in the six months ended June 30, 2021 to RMB269.1 million in the same period in 2022. Going forward, we believe that we can grow our revenue and gradually improve our operating leverage as we continue to implement our strategies. This is based on the assumptions that the future growth of the fuel cell vehicle industry and the fuel cell system industry is in line with our anticipation and PRC government's supportive policies and planning toward the fuel cell vehicle industry remained unchanged and in line with our anticipation. However, considering that (i) the fuel cell vehicle industry in China is still at an early stage, (ii) we may face difficulties and unexpected risks in the process of exploring the large-scale commercialization of our products, and (iii) the outbreak of COVID-19 may continue to have an adverse impact on our business operations, **we expect to continue to record net losses until at least 2025.**

Our Industry. The fuel cell industry in China is largely driven by the PRC government policies. In recent years, the PRC government has implemented policies and development plans favorable to the development of hydrogen energy. In particular, in March 2022, the NDRC issued the Medium- and Long-term Development Plan for Hydrogen Industry (2021–2035) (《氫能產業發展中長期規劃(2021–2035年)》), proposing to (i) promote the diversified hydrogen energy applications including fuel cell systems, (ii) improve the core technologies of fuel cell systems, (iii) accelerate the construction of hydrogen energy infrastructure, and (iv) support enterprises with strong innovative capabilities. The favorable government policies will directly benefit the manufacturers of core fuel cell components, key raw materials for fuel cell stacks, fuel cell systems and fuel cell vehicles. See "Regulatory Overview — Government Policies Relating to Fuel Cells". According to the CIC Report, the PRC government has long considered fuel cell technologies as key to new energy vehicles in China and has made strategic plans since early 2000s. We believe as China proceeds to achieve carbon emissions peak and carbon neutrality, the central and local governments are expected to continue to promote the development of fuel cell vehicles. For example, the Shanghai government has issued policy initiatives which, among others, (i) reward manufacturers that produce fuel cell vehicles or core fuel cell components, such as fuel cell stacks, MEA, bipolar plates and PEM; (ii) provide incentives to the operators of fuel cell trucks and buses; (iii) increase subsidies to the building of hydrogen refueling stations; and (iv) subsidize hydrogen sale. The PRC government usually reviews or updates the subsidy policy for fuel cell vehicles at the beginning of each year. Given that China's fuel cell vehicle industry is still developing, it will continue to be affected by government subsidies and the annual periodicity of automobile production in the foreseeable future.

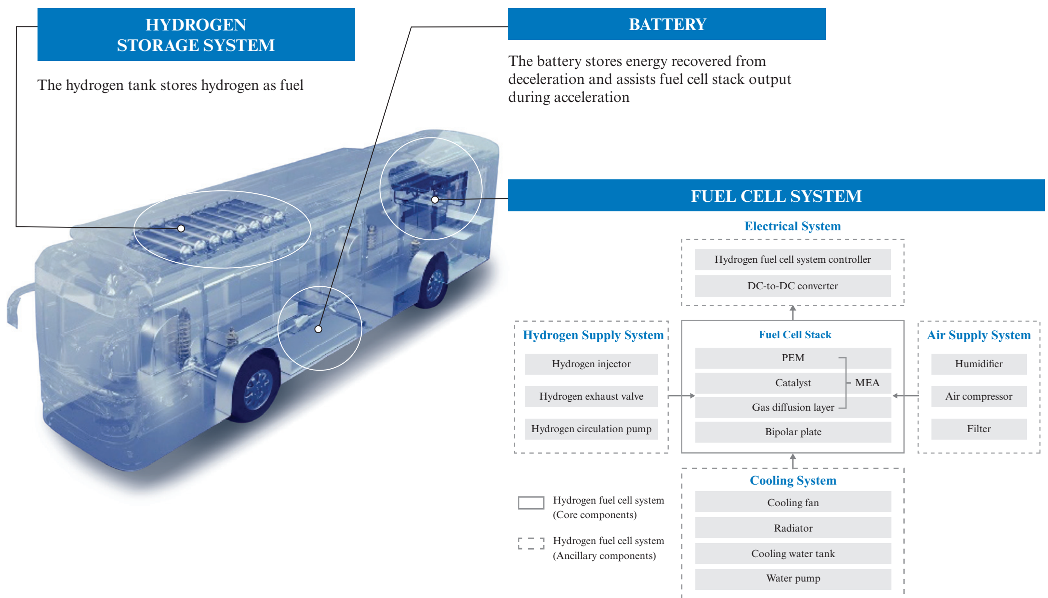
According to the CIC Report, the implementation of the favorable government policies would strongly increase the demand for hydrogen energy applications especially hydrogen fuel cell vehicles and propel the development of the fuel cell vehicle industry. In particular, the annual sales volume of the fuel cell vehicles in China increased from approximately 1,300 in 2017 to approximately 1,600 in 2021, and is expected to increase significantly to 48,200 in 2026, representing a CAGR of 97.7% for the period from 2021 to 2026. Meanwhile, the annual sales volume of fuel cell systems is expected to increase from approximately 2,200 units in 2021 to approximately 52,900 units in 2026, representing a CAGR of 89.5%. In addition, the China Society of Automotive Engineers also projected that there would be over one million fuel cell vehicles on the road in China by 2035. We believe such expected increasing demand in the industry will benefit our business development, including retaining and increasing our customer basis, increasing our sales volume and strengthening our supply chains. According to the CIC Report, the total hydrogen production from fossil fuels represented by coal and natural gas accounted for 81%, industrial by-product accounted for 18%, and blue hydrogen and electrolyzed water accounted for approximately 1% in 2021. In the medium-to-long term, green hydrogen (hydrogen produced from renewable energy sources) will be the key direction of the development of China's hydrogen production industry.

Fuel Cell System. A fuel cell system combines hydrogen and oxygen in the fuel cell stack, converting chemical energy into electricity without combustion and producing water as by-product. Compared to the internal combustion engine, a fuel cell system is also quiet in operation because the electrochemical reaction requires few movements of components. In general, a fuel cell system in operation produces zero carbon emissions and is durable under low temperature, highly efficient and quiet. The diagram below illustrates the operating principles of a fuel cell system:



(1) Hydrogen molecule enters the fuel cell at the anode.
(2) A chemical reaction strips hydrogen molecule of their electrons, ionizing hydrogen atoms into protons.
(3) Oxygen enters the fuel cell at the cathode.
(4) Oxygen combines with electrons and protons, generating electricity and water.

A fuel cell system is composed of the fuel cell stack, electrical system, hydrogen supply system, air supply system and cooling system. The system maintains proper internal temperature, pressure and humidity through a controlling unit. The following picture illustrates the basic structure of a fuel cell system installed on a bus:



OUR BUSINESS AND PRODUCTS

We mainly manufacture and sell fuel cell systems for commercial vehicles, such as city buses, intercity buses, and cold chain logistics vehicles. We also sell fuel cell components such as hydrogen storage systems to better support different models of vehicles and cater to customers' needs. In addition, we provide fuel cell related technology development services such as supporting the R&D projects of Toyota and Tsinghua University.

We offer and sell various models of fuel cell systems with different power outputs. Since the introduction of our 30kW fuel cell system, we have gradually designed and developed the 40kW, 50kW, 60kW, 80kW, 100kW, 120kW and 150kW models. We launched our first 240kW fuel cell system in December 2021. Since the launch of our first commercialized product in 2016, we have sold an aggregate of over 2,900 units to over 20 commercial vehicle manufacturers in China. See "Business — Our Business and Products".

The table below sets forth the sales revenue and volume of models with 80kW or above power output and models with below 80kW power output of our fuel cell systems during the Track Record Period:

	Years ended December 31,															Six months ended June 30,				
	2019					2020					2021					2022				
	Sales revenue	%	Sales volume	%	Model[1]	Sales revenue	%	Sales volume	%	Model[1]	Sales revenue	%	Sales volume	%	Model[1]	Sales revenue	%	Sales volume	%	Model[1]
	(RMB'000)		(unit)			(RMB'000)		(unit)			(RMB'000)		(unit)			(RMB'000)		(unit)		
Models with 80kW or above power output	2,301	0.5	1	0.2	120kW[2]	363,823	72.8	325	65.8	80kW, 100kW[3]	512,643	99	537	98.9	80kW[4], 100kW[3], 120kW[2], 150kW	254,697	100	519	100	80kW, 100kW, 120kW
Models with below 80kW power output	478,784	99.5	497	99.8	30kW, 40kW, 60kW	136,059	27.2	169	34.2	40kW, 50kW, 60kW	5,408	1	6	1.1	30kW, 50kW, 60kW	—	—	—	—	—
Total	**481,085**	**100**	**498**	**100**	—	**499,882**	**100**	**494**	**100**	—	**518,051**	**100**	**543**	**100**	—	**254,697**	**100**	**519**	**100**	—

(1) This represents the power output of the models in the relevant year or period.

(2) We developed and sold one 120kW model in 2019, which is a new product prototype for customer to consider whether to purchase in bulk, whereas the 120kW models we sold in 2021 were mainly the new product for mass production.

(3) We developed and sold one 100kW model in 2020, which is a new product prototype for R&D project, whereas the 100kW models we sold in 2021 were mainly the new product for mass production.

(4) This includes an upgraded version of our 80kW product launched in 2020 and we delivered the first order of this new product around late December 2021.

Due to the recent breakthrough, our new models of fuel cell systems generally have higher rated power and/or power density. As demonstrated by our sales in 2020, 2021 and the six months ended June 30, 2022, our customers prefer new models with high power output, such as 80kW, 100kW, 120kW and 150kW models, to old models with low power output, such as 30kW, 40kW, 50kW and 60kW models, as these new models have a relatively wider range of application and are suitable for heavy-duty transportation, including buses and trucks, as encouraged by the government subsidy policies. As such, we sold a greater number of our new models with high power output (such as 80kW, 100kW and 120kW models) during the Track Record Period than our old models with low power output. For details of our major fuel cell systems sold during the Track Record Period, see "Business — Our Business and Products — Fuel Cell System".

Our Research and Development. Since our establishment, we have been following a vertical approach in our research and development. We have progressed from integrating the fuel cell system into the fuel cell powertrain to the development and manufacture of fuel cell systems and stacks and, most recently, to bipolar plates, a key component of the stack. We also plan to develop and manufacture another key component of the fuel cell stacks, MEA, through our major associate company, Shanghai Maximfuelcell.

In addition to independent research and development, we jointly undertake R&D projects and codevelop fuel cell vehicles with research institution, government authorities and reputable vehicle manufacturers. For example, one of our on going R&D projects is jointly undertaken with Tsinghua University, Beiqi Foton and Beijing National New Energy Vehicle Technology Innovation Center CO., Ltd. We believe that cooperation with leading research universities and renowned vehicle manufacturers in China can facilitate the development and commercialization of innovative fuel cell technologies so that we can respond to the fast-changing market demands.

We dedicate our R&D efforts to improve the performance of our products while lowering their costs. We have achieved advancement in our system integration techniques, innovation of system power controls, improvements of product designs and optimization of our selection and matching of key components and materials. Our research and development have improved the key performance indicators of our products, such as adverse weather capabilities, durability, reliability, efficiency, safety and economy, which enhanced our leading position in the industry. See "Business — Research and Development — Our R&D Achievements".

We believe our continuing R&D efforts have yielded industry-leading products with high performance. The key performance indicators of a fuel cell system are rated power, power density, freeze-start capability and energy conversion efficiency. Our recently launched 240kW model is the first automotive fuel cell system in China which can reach a rated power of 240kW. We applied multiple patented technologies in this new product model to efficiently regulate core elements of hydrogen, air, water, heat and electricity, to produce a highly efficient, responsive, integrated and economical propulsion system. The table below sets forth the comparison between our 240kW fuel cell system and other fuel cell systems available in the PRC market.

Key Performance Indicators	Our 240kW Model	Products of Major Competitors(1)	Target Indicators in 2025 under the Energy-saving and New Energy Vehicle Technology Roadmap 2.0(2)
Rated Power (kW)	241	130–256	120
Power Density (W/kg)	757	563–906	350
Freeze-start Temperature (°C)	–35	–30	–40
Energy Conversion Efficiency (%)	58	60–61	55

(1) These data were prepared and compiled by CIC as of June 30, 2022.

(2) These target indicators in 2025 are included in the Energy-saving and New Energy Vehicle Technology Roadmap 2.0 (《節能與新能源汽車技術路線圖2.0》), which was published by China Society of Automotive Engineers in October 2020 as commissioned by the National Manufacturing Strategy Advisory Committee and MIIT and sets out future targets and trends in the development of new energy vehicles in China.

We launched the 240kW model in 2021, which was the first among the top five fuel cell system providers in China, according to the CIC Report. Our 240kW model has the second highest power density and the lowest freeze-start temperature, among the latest models of fuel cell systems launched by the top five fuel cell system providers in China, according to the CIC Report. See "Industry Overview".

INDUSTRY LANDSCAPE OF HYDROGEN ENERGY MARKET IN CHINA

According to the CIC Report, the hydrogen energy industry chain in China is mainly composed of production, storage and transportation, application, and distribution infrastructure of hydrogen. In China, the most common type of hydrogen is grey hydrogen (which is mainly produced from fossil fuels and obtained as industrial by-product) which amounted to over 32.7 million tonnes, accounted for approximately 99% of the total hydrogen production in 2021. Blue hydrogen (which is produced with fossil energy combined with CCUS (carbon capture, utilization and storage) technologies which store or reuse the carbon dioxide separated from hydrogen in order to reduce carbon emissions) and green hydrogen (which is produced from renewable energy sources, i.e. electrolysis of water, with no carbon dioxide emission) only accounted for less than 0.3 million tonnes (among which green hydrogen contributed less than 10,000 tonnes), approximately 1% of the total hydrogen production in China in 2021, as the production of blue hydrogen and green hydrogen are currently facing challenges such as technological immaturity and high cost.

While traditional hydrogen applications refer to the use of hydrogen in chemical synthesis and reaction, modern hydrogen applications refer to converting hydrogen into energy that is capable of being stored. Hydrogen fuel cell system has a high level of energy density and is relatively lightweight and portable, which makes it suitable for large scale application.

According to the CIC Report, while the hydrogen production was concentrated in Northern China, Northwest China and Eastern China, the hydrogen production market was relatively fragmented in China in 2021. The five largest hydrogen producers represented no greater than 30% of total production volume, and the remaining over 70% market share is shared between over 500 producers.

For hydrogen refueling stations in China, they are mainly located in the Eastern China, Southern China and Northern China, including the Company's core sales regions.

COMPETITIVE LANDSCAPE OF CHINA'S FUEL CELL SYSTEM MARKET

New energy vehicle development is strategically significant to China's energy security and environmental protections. In light of the efforts in reducing the energy consumption in China and around the world, new energy vehicles such as fuel cell vehicles and battery electric vehicles can gradually substitute vehicles using internal combustion engines and promote the development of new energy vehicle industry. Compared with internal combustion engine vehicles, fuel cell vehicles have obvious advantages in environmental protection and energy conversion efficiency. Compared with battery electric vehicles, fuel cell vehicles have outstanding performance in low-temperature environment, endurance mileage and refueling time.

According to the CIC Report, new energy products such as lithium batteries and fuel cells are currently the primary solution to carbon emission related environmental issues in the transportation industry, as battery electric vehicles and fuel cell vehicles are more environmental friendly and more efficient in energy conversion than internal combustion engine vehicles. See "Industry Overview — Overview of China's Fuel Cell Vehicle Industry — Comparative Analysis of Fuel Cell Vehicles, Battery Electric Vehicles and Internal Combustion Engine Vehicles".

In China, lithium battery systems and fuel cell systems are two categories of new energy systems that have been commercialized in the sales market of commercial vehicles. Due to high production cost and lack of supporting infrastructure, in 2021, fuel cell systems accounted for approximately 0.8% of the total sales volume of new energy systems for commercial vehicles in China, while lithium battery systems accounted for the rest of the total sales volume.

According to the CIC Report, fuel cell systems are in the early process of replacing high power output diesel engines in commercial vehicles in China as they generally have a higher loading capacity and longer driving range. The fuel cell system market in China grew rapidly with the total number of market participants in China's fuel cell system market increasing from approximately 62 in 2016 to over 140 in 2021 at a CAGR of 17.7%, according to the CIC Report. However, the competitive market is relatively concentrated. In 2021, the total market share of the top five fuel cell system providers in terms of total power output of fuel cell systems sold was 91.6%.

According to the CIC Report, due to the increasing number of market players, the competition has intensified in the Track Record Period, which resulted in the reduction in average selling prices of fuel cell systems. See "Industry Overview — Competitive Landscape of China's Fuel Cell System Market", "Risk Factors — Risks Relating to the PRC Fuel Cell Vehicle Industry and Fuel Cell System Market — We face intense market competition and the industry may undergo unforeseen changes under a rapid development. If we fail to compete successfully, our business and results of operations may be materially and adversely affected", and "Business — Competition".

OUR PRODUCTION

Our production plant for fuel cell systems in Zhangjiakou, Hebei Province (also referred to as our Zhangjiakou Plant in this prospectus) is China's first self-developed semi-automatic plant for the batch production of fuel cell systems, and we have established and implemented a customized management system that covers the entire production process to ensure effective control of design, procurement, manufacturing, inspection and testing. In April 2020, we obtained the construction permit to commence the expansion project and construction of second phase of our Zhangjiakou Plant. In August 2022, we completed the construction of second phase of our Zhangjiakou Plant. As of the Latest Practicable Date, our Zhangjiakou Plant had a maximum annual production capacity of 10,000 units of fuel cell systems, which was expected to be fully operational by the end of 2022.

In addition, we have another production plant for fuel cell stacks in Shanghai (also referred to as our Shanghai Plant in this prospectus). Shanghai Plant is owned by Shanghai SinoFuelCell, one of our major subsidiaries, and is principally responsible for producing fuel cell stacks used in most of our products. As of the Latest Practicable Date, our Shanghai Plant had a maximum annual production capacity of 1,000 units of fuel cell stacks. To meet the greater market demand for fuel cell systems and to enhance our in-house production capability of stacks, particularly during the fourth quarter, we intend to utilize our internal resources and expand our production capacity at our Shanghai Plant and achieve a maximum annual production capacity of 6,000 units of fuel cell stacks by July 2025. If our Company fails to maintain control over Shanghai SinoFuelCell, our financial condition may be adversely affected. In particular, we may have to incur a higher cost of raw materials and face a decrease in our revenue, gross profit and total assets, in case our Company fails to consolidate the financial statements of Shanghai SinoFuelCell. Moreover, if our Company loses control over Shanghai SinoFuelCell, and without the use of Shanghai Plant which is owned by Shanghai SinoFuelCell for the production and testing of fuel cell stacks, we may (i) continue to purchase fuel cell stacks from them, given that we have years of cooperation with them; and/or (ii) purchase from other fuel cell stack suppliers in China.

Our production is subject to material seasonality, affected by the seasonality of production and sales of fuel cell vehicles in China. The PRC government usually reviews or updates the subsidy policy for fuel cell vehicles at the beginning of each year. Therefore, vehicle manufacturers usually select product models after the relevant subsidy policy is updated by the government to ensure the fuel cell vehicles to be produced can meet the requirements for receiving subsidies. As a result, the average time taken from the order confirmation to our product delivery may vary from time to time. During the Track Record Period, we received orders for our fuel cell systems throughout the year, but in general, we delivered more products in the second half of the year as affected by industry practice and subject to our customers' actual needs and required delivery dates. During the Track Record Period, the average time taken from the order confirmation to our product delivery ranged from one to eight months for the fuel cells systems, and ranged from around half to eight months for fuel cell stacks. In addition, since the fuel cell vehicle industry is still in an early stage of commercialization, its supply chain is not as developed as the internal combustion engine or battery electric vehicle industry. The whole production cycle for our fuel cell systems from inspecting raw materials to packing and storage of finished goods is around 15 days, including ten days for the production of in-house manufactured fuel cell stacks. Our production lead time for both fuel cell systems and in-house manufactured fuel cell stacks is further subject to the availability and delivery cycles of raw materials including key parts and components. After we commenced the production in the second half of the year, the final product completion and delivery time will usually be in the fourth quarter. Therefore, most of the revenue will be recognized in the second half of the year (especially the fourth quarter). In 2019, 2020 and 2021, our revenue for the second half of the year accounted for a majority of our total revenue in the same year. Given that China's fuel cell vehicle industry is still developing and will continue to be affected by government subsidies and the annual periodicity of automobile production in the foreseeable future, we expect that the seasonal characteristics of our product production, sales and revenue recognition will continue to exist.

During the Track Record Period, consistent with the industry-wide seasonality in China, our production volume normally peaked in the fourth quarter. In 2019, 2020 and 2021, the utilization rate at our Zhangjiakou Plant in the fourth quarter reached 87.3%, 83.9% and 87.3%, respectively. Our production of fuel cell stacks is also subject to the same industry-wide seasonality that affects our fuel cell system production. In 2019, 2020 and 2021, the utilization rate of our fuel cell stacks in the fourth quarter reached 160.1%, 101.6% and 156.9%, respectively. During the Track Record Period, we made necessary arrangements to alleviate the short-term capacity constraint of Shanghai Plant in the relevant quarters, such as adding one more shift per day for each production line, having additional short-term labor, and arranging overtime work during the weekends.

Our inventories primarily consist of raw materials and consumables, work in progress and finished goods. We had inventories of RMB204.7 million, RMB172.6 million, RMB260.4 million and RMB295.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. We have also implemented stringent control on our inventory level. See "Business — Inventory Management" and "Financial Information — Selected Items of Consolidated Statements of Financial Position — Inventories".

Since August 2021, the PRC government has approved five fuel cell vehicle demonstration city clusters, led by Beijing, Shanghai, Guangdong, Zhengzhou and Zhangjiakou, with four years of demonstration period. We expect the development of these approved fuel cell vehicle demonstration city clusters in China could help reduce the seasonality of the PRC fuel cell vehicle industry and its impact on us.

OUR SUPPLIERS

We primarily procure raw materials, such as fuel cell stacks, bipolar plates, MEA, air compressors, hydrogen storage systems and DC-to-DC converters, from third-party suppliers. Early in the Track Record Period, we have purchased many raw materials and components from overseas suppliers. As our business progresses, we gradually identified and established partnership with PRC suppliers to ensure that we are able to produce and deliver high-quality products in a timely manner and cost-effectively.

In 2019, 2020 and 2021 and the six months ended June 30, 2022, purchases from our five largest suppliers amounted to RMB172.0 million, RMB172.5 million, RMB298.3 million and RMB95.4 million, respectively, representing 40.1%, 50.5%, 55.2% and 48.5%, respectively, of our total purchase, and the purchase from our largest supplier in each year during the Track Record Period amounted to RMB43.3 million, RMB97.9 million, RMB185.7 million and RMB44.4 million, respectively, representing 10.1%, 28.6%, 34.3% and 22.6%, respectively, of our total purchase during the same periods. According to the CIC Report, since the fuel cell vehicle industry is still at a stage of early development, its supply chains are less developed compared to the internal combustion engine industry or battery electric vehicle industry, and the number of high-quality suppliers of parts and components, especially in China, has been limited. As a result, we have a limited choice of suppliers when it comes to parts and components.

OUR CUSTOMERS

We sell our fuel cell products directly to commercial vehicle manufacturers in China, such as Beiqi Foton, Yutong Bus and Geely Commercial Vehicles. In 2019, 2020 and 2021 and the six months ended June 30, 2022, sales to our five largest customers amounted to RMB508.0 million, RMB444.4 million, RMB529.7 million and RMB254.9 million, respectively, representing 91.9%, 77.7%, 84.2% and 94.7% of our total revenue, respectively. Sales to our largest customer in each year during the Track Record Period amounted to RMB193.2 million, RMB149.2 million, RMB339.9 million and RMB182.9 million, respectively, representing 34.9%, 26.1%, 54.0% and 68.0% of our total revenue, respectively. According to the CIC Report, the fuel cell vehicle industry is still at a stage of early development where the industry is small in scale and high in market concentration. In 2021, the market share of the five largest fuel cell vehicles manufacturers in China in terms of sales volume was over 60%. As a result, most of our revenue came from a limited number of major customers during the Track Record Period.

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors:

- Leader in China's fast growing fuel cell system market;
- Strong research and development capabilities;
- Solid partnerships with major PRC commercial vehicle manufacturers;
- Integrated components supply system and a close cooperation with suppliers; and
- Experienced senior management team, supported by a high-caliber workforce.

OUR STRATEGIES

Our mission is to leverage advanced hydrogen fuel cell technologies to contribute to China's "carbon emission peak and carbon neutrality" goal and empower global energy transition. We are committed to becoming a global leader in hydrogen fuel cell technologies for promoting a sustainable and low-carbon future. We intend to achieve this goal by implementing the following strategies:

- Further advance the R&D of fuel cell systems and core components;
- Expand the production capacity of fuel cell stacks to meet the growing market demand and achieve economies of scale;
- Strategically expand our customer base and geographical coverage;
- Expand and strengthen our supply chains; and
- Improve our brand awareness and promote the application of fuel cell systems.

RECENT DEVELOPMENTS

As required by the SSE STAR Market rules, we published our quarterly report on October 31, 2022, containing our unaudited consolidated financial statements as of and for the nine months ended September 30, 2022 prepared under PRC GAAP. As a result, we have included our unaudited condensed consolidated financial statements in Unaudited Interim Financial Information, Appendix IA to this prospectus. Our unaudited condensed consolidated financial statements have been prepared under IFRSs and reviewed by our Reporting Accountants in accordance with Hong Kong Standards on Review Engagement 2410. See "Appendix IA — Unaudited Interim Financial Information."

Our business continues to expand in 2022. Our revenue increased from RMB373.5 million in the nine months ended September 30, 2021 to RMB390.6 million in the same period in 2022. In particular, in the nine months ended September 30, 2022, we sold 746 units of fuel cell systems, totaling 78,280kW, as compared to 250 units sold, totaling 30,390kW in the same period in 2021. Our sales of fuel cell systems increased by 11.4% in the nine months ended September 30, 2022 relative to the same period in 2021. In addition, our overall gross profit increased from RMB112.4 million in the nine months ended September 30, 2021 to RMB159.0 million in the same period in 2022 due to the increased sales of fuel cell systems. Our gross profit for the sales of fuel cell systems increased from RMB101.2 million in the nine months ended September 30, 2021 to RMB155.1 million in the same period in 2022, primarily due to our efforts in increasing the sales of fuel cell systems. Our gross profit margin for the sales of fuel cell systems also increased from 30.8% for the nine months ended September 30, 2021 to 42.4% for the same period in 2022. The increase was attributable to the fact that the decrease in cost of sales per kW outpaced the decrease in average selling price per kW as a result of the increased production scale and more fuel cell systems sold being equipped with our in-house manufactured fuel cell stacks. In the nine months ended September 30, 2022, our average selling price per kW was RMB4,676, as compared to RMB10,811 in the same period in 2021, which is consistent with the overall decreasing trend of average selling price per kW during the Track Record Period.

Based on our business operation and financial performance in the nine months ended September 30, 2022 and taking into consideration (i) the increases in expenses which we expect to incur to execute our future business plans to enhance our R&D capability, expand our production capability of fuel cell stacks, and improve our supply chains and brand recognition; (ii) the potential increases in our administrative expenses and selling and distribution expenses along with our expected business growth; (iii) the potential decrease in our gross profit margin due to the market competition and pricing pressure; and (iv) the listing expenses in relation to the Global Offering, we will continue to incur substantial amount of loss and negative cash flows from operating activities in 2022. However, we intend to adopt certain measures to maintain sustainability and continue to grow our business to achieve profitability. See "Business — Business Sustainability — Continuously Growing Revenue".

Despite that the operation of our Shanghai Plant has been temporarily impacted by COVID-19 in April and May 2022, our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022 (being the date of our latest audited financial statements) and there has been no event since June 30, 2022 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus. See "— Impact of COVID-19".

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following summary of historical consolidated statements of profit or loss and other comprehensive income data, balance sheet data and cash flow data have been derived from our consolidated financial statements set forth in the Accountants' Report included in Appendix I to this prospectus. You should read the summary historical financial information below in conjunction with our consolidated financial statements included in Appendix I — "Accountants' Report". Our consolidated financial statements have been prepared in accordance with IFRSs.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
Revenue	553,620	572,293	629,369	117,774	269,143
Cost of sales	(307,074)	(324,951)	(393,339)	(81,343)	(164,660)
Gross profit	246,546	247,342	236,030	36,431	104,483
Other income, gains and losses	93,370	53,473	19,596	19,322	(4,842)
Selling and distribution expenses	(48,471)	(38,833)	(62,278)	(17,360)	(33,395)
Administrative expenses	(89,933)	(91,203)	(126,657)	(46,529)	(80,423)
Research and development expenses	(83,902)	(74,671)	(92,773)	(35,431)	(60,264)
(Impairment losses)/reversal of impairment losses on financial assets	(60,384)	(95,846)	(176,963)	2,262	3,294
Other expenses[1]	(14,444)	(19,784)	(23,269)	(5,917)	(24,221)
PROFIT/(LOSS) BEFORE TAXATION	42,782	(19,522)	(226,314)	(47,222)	(95,368)
Income tax credit	3,117	9,760	40,930	11,529	13,812
PROFIT/(LOSS) FOR THE YEAR/PERIOD	**45,899**	**(9,762)**	**(185,384)**	**(35,693)**	**(81,556)**
PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO:					
Owners of the Company	63,910	(366)	(146,369)	(17,455)	(59,782)
Non-controlling interests	(18,011)	(9,396)	(39,015)	(18,238)	(21,774)
	45,899	(9,762)	(185,384)	(35,693)	(81,556)

(1) Other expenses include finance costs, share of results of associates and a joint venture and listing expenses.

NON-IFRS MEASURES

As to supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net profit (non-IFRS measure) as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance. We also believe this non-IFRS measure provides additional information to investors and others in their understanding and evaluating our results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies. However, this non-IFRS measure does not have a standardized meaning prescribed by IFRSs and therefore, it may not be comparable to similar measures presented by other companies.

We define "adjusted net profit/(loss)" (non-IFRS measure) as profit/(loss) for the year/period adjusted by adding listing expenses, which are mainly related to professional fees rendered in relation to the Listing and the Global Offering. We define "adjusted EBITDA" (non-IFRS measure) as adjusted net profit/(loss) (non-IFRS measure) adding back interest income and expenses, income tax expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets.

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
Reconciliation of net profit/(loss) and adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)					
Profit/(loss) for the year/period	45,899	(9,762)	(185,384)	(35,693)	(81,556)
Add:					
Listing expenses	—	—	10,939	—	9,660
Adjusted net profit/(loss) (Non-IFRS measure)	**45,899**	**(9,762)**	**(174,445)**	**(35,693)**	**(71,896)**
Add:					
Interest income and expenses	5,816	(3,119)	(15,453)	(7,126)	(8,360)
Income tax expenses	(3,117)	(9,760)	(40,930)	(11,529)	(13,812)
Depreciation of property, plant and equipment	20,979	23,133	32,127	15,151	24,374
Depreciation of right of use assets	7,811	9,453	8,440	3,956	4,476
Amortization of intangible assets	1,538	3,412	8,024	3,070	12,126
Adjusted EBITDA (Non-IFRS measure)	**78,926**	**13,357**	**(182,237)**	**(32,171)**	**(53,092)**

Our adjusted net profit/(loss) (non-IFRS measure) decreased from profit of RMB45.9 million in 2019 to loss of RMB174.4 million in 2021, and from loss of RMB35.7 million for the six months ended June 30, 2021 to loss of RMB71.9 million for the six months ended June 30, 2022, while our adjusted EBITDA (non-IFRS measure) decreased from RMB78.9 million in 2019 to negative RMB182.2 million in 2021 and decreased from negative RMB32.2 million for the six months ended June 30, 2021 to negative RMB53.1 million for the six months ended June 30, 2022, which was consistent with the increased net loss in the Track Record Period due to the increased impairment loss recognized for our certain long-aged trade receivables, the increased write down of inventories associated with lower market demand of low output products in 2021 and our continuous expansion of our business scale during the Track Record Period.

We generate revenue primarily from the (i) sales of fuel cell systems, (ii) sales of fuel cell components, and (iii) provision of technology development services. During the Track Record Period, our largest revenue contributor was the sales of fuel cell systems, accounting for 86.9%, 87.3%, 82.3% and 94.6% of our total revenue during the relevant periods, respectively.

Our total revenue increased significantly from RMB117.8 million in the six months ended June 30, 2021 to RMB269.1 million for the same period in 2022. The increase was primarily attributable to a substantial increase in our sales of fuel cell systems, which increased from RMB101.4 million in the six months ended June 30, 2021 to RMB254.7 million for the same period in 2022 because we sold 85 units of fuel cell system in the six months ended June 30, 2021 compared to 519 units, totaling 51,140kW, of fuel cell systems sold in the same period in 2022. This sales surge was driven by the increasing market demand for fuel cell vehicles and the launch of demonstration city clusters and related supportive government policies in China.

Our total revenue increased from RMB572.3 million in 2020 to RMB629.4 million in 2021. The increase was primarily attributable to the increase in our sales of fuel cell systems and sales of fuel cell components. Our sales of fuel cell systems increased from RMB499.9 million in 2020 to RMB518.1 million in 2021 because we sold 543 units, totaling 58,580kW of fuel cell systems in 2021 compared to 494 units, totaling 35,600kW of fuel cell systems in 2020. This sales growth was driven by the increasing market demand for fuel cell vehicles, supportive government policies and customer orders relating to the Beijing 2022 Olympic Winter Games. In particular, we sold 140 units of our 150kW model, which have been installed on transit buses which are designated as the official transport vehicles at the Beijing 2022 Olympic Winter Games. Such sales amounted to RMB229.4 million, representing 44.3% of our sales of fuel cell systems in 2021.

Our total revenue increased slightly from RMB553.6 million in 2019 to RMB572.3 million in 2020. The increase was primarily attributable to an increase in revenue from sales of fuel cell systems and provision of technology development services, partially offset by a decrease in revenue from sales of fuel cell components. In particular, our sales volume of fuel cell systems decreased slightly in 2020. We sold 498 units, totaling 23,810kW, of fuel cell systems in 2019 compared to 494 units, totaling 35,600kW of fuel cell systems in 2020. Despite a similar sales volume, the total power output sold increased substantially in 2020, mainly driven by the growth in market demand for higher power output products. In particular, we introduced our 80kW model in 2020, with a sales volume of 324 units, totaling 25,920kW. Such sales amounted to 72.4% of our sales of fuel cell systems in 2020.

The following table sets forth our revenue and percentage by business activity during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Sales of fuel cell systems	481,085	86.9	499,882	87.3	518,051	82.3	101,365	86.1	254,697	94.6
Sales of fuel cell components	43,042	7.8	26,111	4.6	52,827	8.4	5,591	4.7	3,659	1.4
Provision of technology development services	9,235	1.7	33,471	5.9	27,486	4.4	4,838	4.1	7,721	2.9
Others[1]	20,258	3.6	12,829	2.2	31,005	4.9	5,980	5.1	3,066	1.1
Total	**553,620**	**100.0**	**572,293**	**100.0**	**629,369**	**100.0**	**117,774**	**100.0**	**269,143**	**100.0**

(1) Others mainly represented sales of hydrogen and other testing equipment for fuel cell systems and fuel cell components. In certain occasions, we also assisted our customers to build their own testing platforms and laboratories.

The following table sets forth our gross profit and gross profit margin by business activity during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Sales of fuel cell systems	231,845	48.2	223,713	44.8	207,536	40.1	32,728	32.3	103,231	40.5
Sales of fuel cell components	3,172	7.4	3,318	12.7	14,137	26.8	1,121	20.1	946	25.9
Provision of technology development services	4,554	49.3	18,484	55.2	9,778	35.6	2,040	42.2	479	6.2
Others	6,975	34.4	1,827	14.2	4,579	14.8	542	9.1	(173)	(5.6)
	246,546	44.5	**247,342**	43.2	**236,030**	37.5	**36,431**	30.9	**104,483**	38.8

See "Business — Our Business and Products" for detailed discussion of our sales of fuel cell systems.

The following table sets forth the details of our sales revenue, sales volume, sales power output in terms of kW, and average selling prices per kW of our fuel cell systems during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Sales revenue (RMB'000)	481,085	499,882	518,051	254,697
Sales volume (unit)	498	494	543	519
Sales power output (kW)	23,810	35,600	58,580	51,140
Average selling price per kW (RMB)	20,205	14,042	8,843	4,980

We believe the significant decrease in our average selling price per kW from 2019 to the six months ended June 30, 2022 was mainly attributable to (i) the increasing number of market participants leading to increased competition alongside the rapid market development, in particular, the total number of market participants in fuel cell system market increased from approximately 62 in 2016 to over 140 in 2021 at a CAGR of 17.7%, according to the CIC Report; (ii) the decrease in our production costs as a result of the increase in the scale of our production over the years and our shift to focus on more localized procurement; and (iii) higher power density due to the improvement of our technologies. As confirmed in the CIC Report, the decreasing trend of the average selling price was in line with the overall industry trend and in favor of the promotion of fuel cell vehicles.

The following table sets forth a breakdown of our cost of sales by nature during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Raw Materials										
Fuel cell stacks	82,537	26.8	141,124	43.4	193,655	49.2	42,304	52.0	71,007	43.1
Air compressors	36,908	12.0	20,757	6.4	21,678	5.5	4,345	5.3	9,272	5.6
Hydrogen storage systems	35,218	11.5	47,291	14.6	39,290	10.0	9,883	12.2	11,029	6.7
DC-to-DC converters	25,360	8.2	22,369	6.9	17,618	4.5	3,157	3.9	10,829	6.6
Other raw materials[(1)]	98,154	32.0	67,480	20.8	72,972	18.5	14,731	18.1	23,765	14.5
	278,177	**90.5**	**299,021**	**92.1**	**345,213**	**87.7**	**74,420**	**91.5**	**125,902**	**76.5**
Others										
Staff costs	14,614	4.8	9,252	2.8	23,887	6.1	3,860	4.7	21,910	13.3
Overhead expenses	14,283	4.7	16,678	5.1	24,239	6.2	3,063	3.8	16,848	10.2
	307,074	**100.0**	**324,951**	**100.0**	**393,339**	**100.0**	**81,343**	**100.0**	**164,660**	**100.0**

(1) Other raw materials included battery packs, software and over 200 different miscellaneous parts, such as pipe valve, pipe fitting and screws.

In 2019 and 2020, our gross profit was RMB246.5 million and RMB247.3 million, and decreased to RMB236.0 million in 2021. The gross profit margin of our sales of fuel cell systems decreased from 48.2% in 2019 to 40.1% in 2021. This trend was mainly driven by (i) the intensifying market competition and the resulting decrease in our average selling price per kW from RMB20,205 in 2019 to RMB8,843 in 2021, outpacing the decrease in our average cost of sales per kW from RMB10,500 in 2019 to RMB5,300 in 2021, and (ii) our increased sales volume of systems that carried fuel cell stacks procured from third-party suppliers from 2.8% of our total sales volume in 2019 to 52.1% in 2021, which had relatively higher costs compared to those manufactured in-house and we procured fuel cell stacks from third-party suppliers only at our customers' requests. For the six months ended June 30, 2021 and 2022, the overall gross profit margin increased significantly from 30.9% to 38.8%, primarily due to the significant increase in the gross profit for the sales of fuel cell systems. The gross profit margin for the sales of fuel cell systems increased from 32.3% for the six months ended June 30, 2021 to 40.5% for the six months ended June 30, 2022, primarily because the average cost of sales per kW decreased as a result of the increased production scales and the increased sales volume of systems that carried fuel cell stacks from our Group.

Our net profit for 2019 was primarily attributed to the one-off items, such as gain on deemed disposal of a subsidiary and compensation gain arising from an explosion incident. We recorded net losses of RMB9.8 million in 2020, RMB185.4 million in 2021 and RMB81.6 million for the six months ended June 30, 2022, primarily due to (i) the significant impairment loss of our trade receivables provided; (ii) the write down of inventories associated with lower market demand of low power output products; (iii) continuous expansion of our business scale during the Track Record Period to maintain our market leading position; and (iv) our continuing investments in the research and development of new products.

Our impairment losses on financial assets increased from RMB60.4 million in 2019 to RMB95.8 million in 2020 and further increased to RMB177.0 million in 2021, primarily due to the increase in the impairment loss on trade receivables in connection with two of our major customers who experienced financial difficulties to settle our payments. During the six months ended June 30, 2022, we recorded a reversal of impairment losses on financial assets, which amounted to RMB3.3 million. See "Financial Information — Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables — Impairment Provision" for detailed discussion on the impairment of trade receivables.

In general, our other major operating expenses, such as selling and distribution expenses, administrative expenses, and research and development expenses, increased throughout the Track Record Period. Going forward, we expect such expenses to increase in absolute amounts along with the growth of our business but to decrease as a percentage of our revenue. See "Business — Business Sustainability — Other major operating expenses" and "Financial Information — Key Components of Our Results of Operations".

Summary of Consolidated Statements of Balance Sheets

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As at June 30,
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Total current assets	1,180,552	2,316,572	2,316,655	2,261,191
Total non-current assets	508,693	744,971	1,289,037	1,373,884
Total assets	1,689,245	3,061,543	3,605,692	3,635,075
Total current liabilities	451,547	491,701	562,018	607,284
Total non-current liabilities	92,467	148,704	150,792	175,750
Total liabilities	544,014	640,405	712,810	783,034
Net current assets	729,005	1,824,871	1,754,637	1,653,907
Net assets	1,145,231	2,421,138	2,892,882	2,852,041
Total equity attributable to owners of the parent	1,053,945	2,273,728	2,502,645	2,483,578
Non-controlling interests	91,286	147,410	390,237	368,463

Our net current assets increased from RMB729.0 million as of December 31, 2019 to RMB1,824.9 million as of December 31, 2020, mainly due to (i) an increase in cash and cash equivalents from the proceeds from our equity financing on the SSE STAR Market in August 2020; and (ii) an increase in trade and bills receivables in connection with our growing sales. However, our net current assets decreased to RMB1,754.6 million as of December 31, 2021, mainly due to (i) an increase in trade and bills payables primarily due to the anticipation of increased production needs in the first half of 2022; and (ii) an increase in other payable and accruals, primarily due to the increase in salary payables, payable of purchase of property, plant and equipment and the listing expense incurred but not paid for our Global Offering. Our net current assets slightly decreased to RMB1,653.9 million as of June 30, 2022, mainly due to (i) a decrease in cash and cash equivalents to meet working capital needs; (ii) a decrease in trade and bills receivables due to our increasing effort to collect outstanding receivables and resolve overdue issues; and (iii) an increase in bank borrowings due to our business expansion. This was partially offset by (i) an increase in financial assets at fair value through profit or loss; (ii) an increase in inventory because we procured more raw materials to meet the increasing market demand for our products; and (iii) an increase in prepayments, deposits and other receivables.

Our net assets increased from RMB1,145.2 million as of December 31, 2019 to RMB2,421.1 million as of December 31, 2020 and further increased to RMB2,892.9 million and RMB2,852.0 million as of December 31, 2021 and June 30, 2022 respectively. The fluctuation of our net assets in the Track Record Period was primarily attributable to (i) proceeds of our issuance of 17,630,523 A Shares of RMB1,224.7 million in August 2020, (ii) capital contribution from non-controlling interests of Shanghai SinoFuelCell of RMB384.0 million in December 2021; and (iii) a private placement of shares for RMB195.2 million in July 2021, and partially offset by loss for the year/period of RMB9.8 million, RMB185.4 million and RMB81.6 million in 2020, 2021 and the six months ended June 30, 2022, respectively.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Net cash used in operating activities	(179,244)	(202,950)	(92,363)	(20,105)
Net cash used in investing activities	(195,575)	(358,397)	(566,767)	(211,414)
Net cash flow from financing activities	444,819	1,325,778	498,174	59,582
Net increase/(decrease) in cash and cash equivalents	70,000	764,431	(160,956)	(171,937)
Cash and cash equivalents at beginning of the year/period	131,984	201,537	965,929	804,967
Cash and cash equivalents at end of the year/period	201,537	965,929	804,967	633,017

We had negative cash flows from operating activities of RMB179.2 million, RMB203.0 million and RMB92.4 million in 2019, 2020 and 2021, respectively, as we incurred significant operating expenses to support our business development, including research and development expenses to improve our R&D capabilities, selling and distribution expenses, general and administrative expenses to develop new fuel cell systems and promote our products. In the near to the medium term, we will continue to invest in our research and development and marketing activities and we may continue to have negative cash flows from operating activities. After we scale our production and sales and our brand becomes more recognized, we consider our operating expenses will not increase proportionately to our revenue growth and our operating expenses as a percentage of revenue is expected to decrease, which will further improve our operating cash flows. Furthermore, we have been collecting, and will continue to collect, our trade and bills receivables in a more effective manner.

In addition, in the six months ended June 30, 2022, we had net cash used in operating activities of RMB20.1 million, compared to net cash used in operating activities of RMB129.1 million in the six months ended June 30, 2021. This was primarily due to the decrease in trade and bills receivables in the six months ended June 30, 2022 as a result of our enhanced collection efforts to resolve overdue receivables in a timely manner. In the six months ended June 30, 2022, we had net cash used in investing activities of RMB211.4 million, compared to net cash flows generated from investing activities of RMB59.7 million in the six months ended June 30, 2021. This was primarily due to payments of RMB72.1 million for the purchase of property, plant and equipment and RMB737.0 million for the purchase of wealth management products, which was offset by proceeds of RMB590.7 million from disposal of the wealth management products and an decrease in restricted and pledged bank deposits of RMB20.8 million due to release of pledged bank deposits upon repayment of bills payables. In the six months ended June 30, 2022, we have continued to invest in our research and development and marketing activities and have been collecting, and will continue to collect, our trade and bills receivables in a more effective manner.

KEY FINANCIAL RATIOS

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2019	2020	2021	2022
Gross profit margin[(1)] (%)	44.5	43.2	37.5	38.8
Current ratio[(2)] (times)	2.6	4.7	4.1	3.7
Quick ratio[(3)] (times)	2.2	4.4	3.7	3.2
Gearing ratio[(4)] (%)	10.4	7.6	4.4	6.7

(1) Calculated by dividing gross profit by revenue for the year or period multiplied by 100%.

(2) Calculated by dividing total current assets by total current liabilities as of the end of the year or period.

(3) Calculated by dividing total current assets minus inventory by total current liabilities as of the end of the year or period.

(4) Calculated by dividing total interest-bearing borrowings and lease liabilities divided by total equity as of the end of the year or period multiplied by 100%.

BUSINESS SUSTAINABILITY

Despite that we have been loss-making since 2020 and we expect to incur net losses and net operating cash outflow in the medium term, we have achieved a steady revenue and customer growth since our inception in 2012. Our revenue grew from RMB553.6 million in 2019 to RMB572.3 million in 2020 and further to RMB629.4 million in 2021, and from RMB117.8 million in the six months ended June 30, 2021 to RMB269.1 million in the six months ended June 30, 2022.

From 2017 to 2019, we sold 192, 303, and 498 units of fuel cell systems, representing a growth in sales volume at a CAGR of 61.1%, which exceeded the industry growth rate of 43.8% during the same period. In 2020 and 2021, we recorded an increase in sales volume of fuel cell systems while the total sales volume of fuel cell systems in China decreased as a result of the delay in rollout of supportive policies due to the outbreak of COVID-19.

The number of our customers grew from 35 in 2019 to 47 in 2020 and further increased to 65 in 2021, and grew from 30 in the six months ended June 30, 2021 to 36 in the six months ended June 30, 2022. We had 10, 17, 21 and 32 recurring customers in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The following table sets forth the number of our existing and new customers with total revenue during the Track Record Period.

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue
		(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*
Existing Customers	10	526,681	17	432,577	21	529,432	32	225,839
New Customers	25	26,939	30	139,716	44	99,937	4	43,304
Total	**35**	**553,620**	**47**	**572,293**	**65**	**629,369**	**36**	**269,143**

On the other hand, we recorded a net loss of RMB9.8 million in 2020 and RMB185.4 million in 2021 and RMB81.6 million in the six months ended June 30, 2022, respectively, which were largely due to (i) the increased impairment loss recognized for certain of our long-aged trade receivables; (ii) the decreases in other income, gains and losses primarily due to the increased write down of inventories associated with lower market demand of low output products in 2021; (iii) continuous expansion of our business scale during the Track Record Period to maintain our market leading position, including the expansion of production capability, customer base and geographical coverage. In particular, the total number of our employees increased from 548 as of December 31, 2019 to 879 as of June 30, 2022 in order to support our growth of sales and expanded business promotion, which resulted in the increase in selling and distribution expenses and administrative expenses during the Track Record Period; (iv) our continuing investments in the research and development of new products; and (v) the continuous decrease in the average selling price per kW of fuel cell systems as a result of the intensifying market competition. Given that we had decreasing gross profit margin, increasing expenses and recurring net losses incurred during the Track Record Period, even though our sales volume and revenue may increase in light of the continuing implementation of the favorable PRC government policies and regulatory framework supporting the fuel cell vehicle industry, we anticipate that we will continue to incur losses until we can obtain sufficient purchase orders and expand our sales to the level of economies of scale that enables us to become profitable.

We had cash and cash equivalents of RMB201.5 million, RMB965.9 million, RMB805.0 million and RMB633.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Our total cash balance is sufficient to cover our net cash flows used in operating activities, providing sufficient liquidity for our continuing business operations. Taking into consideration of our financial condition and financial resources presently available to us, including cash and bank balances, anticipated cash flows from operations, facilities and borrowings from banks and financial institutions and estimated net proceeds from the Global Offering, we believe that we have sufficient working capital to meet our present and anticipated cash requirements for at least the next 12 months from the date of this prospectus. After making reasonable inquiries of our management about our working capital, the Joint Sponsors concur with the same view.

To pave the way for a long-term success in the new industry and fast-growing market, we have been focusing on building and developing our research and development and production capacity, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for future growth as the PRC fuel cell vehicle industry continues to mature. In the medium term, we intend to maintain sustainability and growth of our business and achieve profitability through continuous revenue growth and improvement of our operating leverage.

Continuously Growing Revenue

The fuel cell vehicle industry is mainly driven by government policies, and the PRC governments have been announcing various favorable policies to develop the fuel cell vehicle industry, particularly in the second half of 2020. See "Industry Overview — Overview of China's Fuel Cell Vehicle Industry — Market drivers of the fuel cell vehicle industry in China", "Industry Overview — Overview of China's Fuel Cell System Market — Market potentials for China's fuel cell system market" and "Regulatory Overview — Government Policies Relating to Fuel Cells". As a leading provider of fuel cell systems in China, we are well-positioned to generate sustainable revenue growth in the future. Our revenue growth will be driven by the following factors:

- **Upgrading Products and Multiplying Application Scenario.** As fuel cell vehicles are more adaptable to the environment, have a longer driving range and are faster to refuel, we plan to focus on the market of medium to long-distance, heavy-duty and cold-chain transportation and other potential applications to expand our business scale. We intend to use our new generation of R&D platform to develop approximately 15 models and launch more new products at a competitive price in the next four years, which could increase our product portfolio. In the future, we intend to develop new fuel cell systems for high power output heavy-duty trucks, intercity buses and special purpose vehicles, as well as passenger vehicles. We believe that our strong R&D capabilities will allow us to enjoy the first mover advantage in developing these products, enabling us to capture the new product premium and ultimately increase our sales and improve our profitability.

- **Customer Retention and Expansion.** To expand and diversify our customer base, we plan to negotiate potential cooperation with more than ten major vehicle manufacturers for the development of fuel cell vehicle prototypes and the promotion of our new products. In addition to vehicle manufacturers, driven by economic incentives for energy conservation, emission reduction and government supportive policies, end customers like city bus companies and government departments, private enterprises will also play a greater role in the operation of fuel cell vehicles in the near future. We intend to actively cooperate with these market participants to enhance our market position. In particular, we plan to promote our products with over 20 city bus companies and to expand our business in over 20 cities with a high target number of hydrogen refueling stations built or to be built.

- **Geographical Expansion.** In line with the favorable government policies, we plan to further extend our business relationships with major PRC commercial vehicle manufacturers operating in key cities such as Beijing, Zhangjiakou, Shanghai, Zhengzhou, Chengdu and Zibo. We will also further expand our business into cities with hydrogen refueling stations established or to be established, which is driven by the layout of the infrastructure construction for fuel cell vehicles. We aim to market our fuel cell systems in more than 20 cities and regions in China, including approximately ten additional markets, such as those in Inner Mongolia, Jiangsu and Guangzhou in the next three to five years.

- **Enhancing marketing effort.** We plan to expand our marketing team with experienced business and sales personnel who have expertise in the logistics and commercial transportation industry and are capable of networking with more end-customers. We intend to offer attractive performance-based compensation schemes to incentivize marketing team to enhance their efforts and achieve our marketing goal. In addition, we plan to actively promote the application of our products by (i) assisting commercial vehicle manufacturers in their testing of fuel cell vehicle prototypes and production and launch of more than 100 new vehicle models; (ii) participating in over 40 industry events for our products; and (iii) placing online and conventional advertisement in the next three years.

We intend to use the net proceeds from the Global Offering to grow our revenue. We expect to use net proceeds from the Global Offering to, among others, (i) fund our research and development in the next three years, so as to upgrade products and multiply their application scenarios; and (ii) improve our brand recognition through product promotion and multi-channel marketing in the next three years, so as to strengthen our customer retention and expansion, geographical expansion and enhance our marketing effort. See "Future Plans and Use of Proceeds".

Improving Operating Leverage

Cost of sales

In 2019 and 2020, our gross profit remained relatively stable and amounted to RMB246.5 million and RMB247.3 million, and decreased to RMB236.0 million in 2021. In 2019, 2020 and 2021, our gross profit margin amounted to 44.5%, 43.2% and 37.5%, respectively. For the six months ended June 30, 2021 and 2022, our gross profit was RMB36.4 million and RMB104.5 million, respectively, corresponding to gross profit margin of 30.9% and 38.8%, respectively. Our ability to manage and control our costs and operating expenses is critical to the success of our business and our profitability. During the Track Record Period, we made and plan to further make investments in certain associates and joint venture and made collaboration arrangements with third parties to enhance our research and development capability and strengthen our supply chain. Such investment and collaboration have yielded synergies. We plan to utilize our internal resources to invest and potentially acquire and make alliance with companies which are aligned with, and create incremental value for, our core business to enhance the reliable and integrated industry chain layout in the next three years. With our further efforts to pursue the vertical integration of our supply chains and resources through alliance, investments and acquisitions, we believe we can further reduce raw material costs and maintain stable gross profit margin of our products in the future. In addition, starting from early on, we have strategically decided to substantially invest in research and development and we plan to further develop our new generation of R&D platform to improve our products and increase our product portfolio. We also plan to apply certain net proceeds from the Global Offering to fund our research and development in the next three years, and utilize our internal resources to increase the production capability of fuel cell stacks through acquiring new equipment and software systems by the end of 2025. The upgraded equipment and software systems for production, testing, dispatching, office, and network are expected to boost the overall production efficiency. Moreover, by leveraging the increasing capabilities of our new generation of R&D platform, we aim to achieve economies of scale and shorten the time-to-market of our products deployment and commercialization, and therefore achieving an improvement in operating leverage as our business grows. In particular, we expect to benefit from improving efficiency in production and reducing the cost as we continuously enhance our research and development capabilities and efficiency in fuel cell systems and its relevant raw materials. As a result, we expect to benefit from improved operating leverage with more cost-efficient production and lower cost of raw materials. See "Business — Business Sustainability — Other major operating expenses" for details of discussion on our other major operating expenses.

Our future profitability is uncertain and subject to various factors, including our ability to develop new products and models and effectively implement our business strategies, compete effectively and successfully, and continuously grow revenues and our customer base in a cost-effective way by improving our operational efficiency. The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The relevant risks are set forth in the Risk Factors. See "Risk Factors — Risks Relating to the PRC Fuel Cell Vehicle Industry and Fuel Cell System Market — The demand for our products depends on the trend and development of the PRC fuel cell vehicle industry and the availability of other types of new energy vehicle. There are uncertainties in future market demand and we cannot assure that we will continue to obtain sufficient purchase orders in the future." and "Risk Factors — Risks Relating to Our Business — We recorded net losses in the past and had negative cash flows from operating activities, all of which may continue if we may not be able to implement our business plans successfully in the future".

OUR SINGLE LARGEST SHAREHOLDER

Mr. Zhang is our founder and single largest Shareholder. As of the Latest Practicable Date, Mr. Zhang held 18,594,117 A Shares, representing approximately 18.61% of our total issued share capital. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Zhang will hold approximately 15.82% of our total issued share capital and remain our single largest Shareholder.

OFFERING STATISTICS

	Based on an Offer Price of HK$60.00 per Share	**Based on an Offer Price of HK$76.00 per Share**
Our market capitalization[(1)]	HK$7.05 billion	HK$8.93 billion
Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company per Share[(2)]	RMB26.21 or HK$28.98	RMB28.32 or HK$31.31

(1) The calculation of market capitalization is based on 117,519,387 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible assets per Share includes adjustments referred to in the paragraph headed "Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" and on the basis of 117,519,387 Shares in issue at the Offer Price of HK$60.00 and HK$76.00 per Offer Share immediately following the completion of the Global Offering.

USE OF PROCEEDS

The net proceeds from the Global Offering which we will receive, after deducting the underwriting commissions, the incentive fee (assuming the full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering (assuming the Over-allotment Option is not exercised), will be approximately HK$1,121.8 million, assuming an Offer Price of HK$68.00 (being the mid-point of the Offer Price range). We intend to apply the net proceeds for the following purposes:

- approximately 75.0% (approximately HK$841.2 million) will be used to fund our research and development in the next three years;
- approximately 15.0% (approximately HK$168.4 million) will be used for improving our brand recognition through product promotion and multi-channel marketing in the next three years; and
- approximately 10.0% (approximately HK$112.2 million) will be used for working capital and other general corporate purposes.

DIVIDEND POLICY

We did not declare or pay any dividends during the Track Record Period. Subject to the relevant PRC laws and our Articles of Association, we may declare dividend by way of cash, stocks or a combination of cash and stocks. We prioritize cash over stock dividends. We shall declare and pay cash dividend of no less than 10% of our Company's annual distributable profit for the relevant year if, among others, (i) our Company has distributable profit and positive retained earnings during the same year, (ii) our cash dividend distribution will not affect our working capital sufficiency and business operations, and (iii) we do not have significant capital expenditure needs for the next 12 months. In addition, our accumulated profit distributed in the last three consecutive years shall not be less than 30% of our Company's annual distributable profit realized in the same three years. The payment and amount of dividends (if any) depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends to be paid by us, future prospects and other relevant factors. Any proposed payment of dividends is also subject to the approval of our shareholders and there is no guarantee that we will declare and pay dividends.

LISTING EXPENSES

We expect to incur a total of approximately RMB69.5 million of listing expenses in connection with the Global Offering, representing approximately 6.4% of the gross proceeds from the Global Offering (based on the mid-point of the Offer Price range of HK$68.00 per Offer Share and assuming no Over-allotment Option will be exercised), among which (i) underwriting-related expenses, including underwriting commission and other fees and expenses, are expected to be approximately RMB32.5 million and (ii) non-underwriting-related expenses are expected to be approximately RMB37.0 million, comprising (a) fees and expenses of legal advisers and reporting accountants of approximately RMB20.4 million and (b) other fees and expenses of approximately RMB16.6 million. During the Track Record Period, we incurred RMB23.6 million of listing expenses, of which RMB20.6 million was charged to our consolidated income statements, while the listing expenses directly attributable to the issue of shares of RMB3.0 million will be recognized as a deduction in equity upon completion of the Global Offering. We expect to incur underwriting commissions and other additional listing expenses of

RMB45.9 million after June 30, 2022 (assuming an Offer Price of HK$68.00 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus), of which RMB11.7 million will be charged to the consolidated statements of profit or loss and other comprehensive income after June 30, 2022 and RMB34.2 million will be charged to equity upon completion of the Listing. The listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

RISK FACTORS

There are certain risks relating to an investment in our H Shares. These can be categorized into (i) risks relating to the PRC fuel cell vehicle industry and fuel cell system market; (ii) risks relating to our business; (iii) risks relating to conducting business in China; and (iv) risks relating to the Global Offering. See "Risk Factors".

- **Our business depends on the PRC government policies and regulatory framework supporting the fuel cell vehicle industry, which the PRC government could change or eliminate.**
- **The demand for our products depends on the trend and development of the PRC fuel cell vehicle industry and the availability of other types of new energy vehicle. There are uncertainties in future market demand and we cannot assure that we will continue to obtain sufficient purchase orders in the future.**
- We are in a new industry where emerging technologies used in fuel cell systems may not be mature. Any major product defects, malfunctions or negative news concerning the fuel cell vehicle industry may damage our reputation and adversely affect our business, financial condition and results of operations.
- We face intense market competition and the industry may undergo unforeseen changes under a rapid development. If we fail to compete successfully, our business and results of operations may be materially and adversely affected.
- We recorded net losses in the past and had negative cash flows from operating activities, all of which may continue if we may not be able to implement our business plans successfully in the future.
- The large-scale commercialization of fuel cell systems and technologies may fall short of our expectation, which may lead to unsatisfactory market development and affect our business operation.
- We depend on a concentration of major customers and we do not enter into long-term sales agreements with them. Any loss of these customers or future purchase order from them would adversely affect our business, financial condition, results of operations and cash flows.
- We are exposed to credit risk of our customers and outstanding trade and bills receivables, and our receivables turnover days remained at a relatively high level during the Track Record Period.
- Our product sales are mainly completed in the second half of the year, especially in the fourth quarter, which resulted in a material seasonal fluctuation in our results of operations.

- Most of our products are sold to commercial vehicle manufacturers, whose development capabilities, financial condition, and commercial success will directly affect our results of operations.
- Our products are subject to continuous technological change and evolution. Our research and development efforts may not yield the results as expected to maintain our market share and competitiveness in the PRC fuel cell market.
- Our control over certain subsidiary may be reduced, which could adversely affect our business, results of operations and financial condition.

IMPACT OF COVID-19

The outbreak of COVID-19 has materially and adversely affected the global economy since the end of December 2019. It has affected our business operations in the following aspects, especially in the first quarter of 2020.

- our procurement of certain raw materials, especially from overseas suppliers, was adversely affected by the global supply chain and logistics constraints. To minimize such impact, we have reduced our reliance on oversea suppliers by gradually switching to PRC suppliers for most of our raw material needs;
- we experienced an increase in our trade and bills receivables in 2020, partly due to the delayed settlement of payments from some customers as a result of their working capital constraints or operating losses after the outbreak of COVID-19; and
- we incurred additional administrative expenses to purchase personal protection equipment and put in place other measures to ensure the health and safety of our employees.

Nevertheless, we believe the negative impacts we have experienced are relatively minor and temporary, and the COVID-19 outbreak has no significant adverse impact on our operations and financial performance. See "Financial Information — Impact of COVID-19".

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering, on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue in 2021, being RMB629.4 million (equivalent to approximately HK$767.9 million), which is over HK$500 million, and (ii) our expected market capitalization at the time of Listing, which, based on the low end of the Offer Price range, exceeding HK$4 billion.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed on the SSE STAR Market and are traded in Renminbi
"A Shareholder(s)"	holder(s) of A Share(s)
"Accountants' Report"	The accountants' report of our Company prepared by Moore Stephens CPA Limited, details of which are set out in Appendix I to this prospectus
"AFRC"	Accounting and Financial Reporting Council
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BAIC Group"	Beijing Automotive Group Co., Ltd., (北京汽車集團有限公司), a company established in the PRC with limited liability on June 30, 1994, an Independent Third Party
"Beijing Anpeng"	Beijing Anpeng Xingyuan New Energy Industry Investment Center (L.P.) (北京安鵬行遠新能源產業投資中心(有限合夥)), a limited partnership established in the PRC on February 24, 2018. Its general partners are Beijing Anpeng Xingyuan New Energy Investment Management Co., Ltd. (北京安鵬行遠新能源投資管理有限公司) (renamed as Beijing Anpeng Xingyuan New Energy Private Equity Fund Management Co., Ltd. (北京安鵬行遠新能源私募基金管理有限公司) and Shenzhen Anpeng Equity Investment Fund Management Co., Ltd. (深圳市安鵬股權投資基金管理有限公司), both of whom are Independent Third Parties
"Beijing Dongsheng"	Beijing Dongsheng Technology Enterprise Accelerator Co., Ltd. (北京東升科技企業加速器有限公司), a limited liability company incorporated in the PRC on May 11, 2010, which is owned as to 75% by Beijing Dongsheng Bozhan Technology Development Co., Ltd. (北京東昇博展科技發展有限公司) and 25% by Beijing Dongsheng Expo Investment Management Co., Ltd. (北京東昇博展投資管理有限公司), both of whom are Independent Third Parties

"Beijing Zhongguancun"	Beijing Zhongguancun Development Qihang Industrial Investment Fund (L.P.) (北京中關村發展啟航產業投資基金(有限合夥)), a limited partnership established in the PRC on December 30, 2016. Its general partner is Beijing Qihang Investment Management Co., Ltd. (北京啟航投資管理有限公司), an Independent Third Party
"Beiqi Foton"	Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司), an A-share listed limited liability company, together with its subsidiaries, "BAIC Group", as the context may require, and unless specifically defined otherwise, an automobile manufacturer, all of which are Independent Third Parties
"Board" or "Board of Directors"	the board of Directors of our Company
"business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"**CCASS EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or (ii) if you are an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System **(https://ip.ccass.com)** or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Changjiang Zhixin"	Hubei Changjiang Zhixin New Energy Investment Center (L.P.) (湖北長江智信新能源投資中心(有限合夥)), a limited partnership established in the PRC on November 28, 2016. Its general partner is Beijing Xinzhongli Equity Investment Management Co., Ltd. (北京信中利股權投資管理有限公司), an Independent Third Party
"China", "Mainland China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus (unless otherwise indicated), Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"China FAW"	China FAW Group Corporation (中國第一汽車集團有限公司), a company established in the PRC with limited liability on July 15, 1953, and/or its subsidiaries as the context may require, all of which are Independent Third Parties
"CIC"	China Insights Industry Consultancy Limited, an independent third party market research and consulting company
"CIC Report"	the report issued by CIC and commissioned by our Company, as referred to in "Industry Overview"
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company", "our Company" or "the Company"	Beijing SinoHytec Co., Ltd. (北京億華通科技股份有限公司), whose predecessor was named as Beijing Sinohytec Limited (北京億華通科技有限公司), was incorporated in the PRC on July 12, 2012. On August 4, 2015, upon approval by the Beijing Administration for Industry and Commerce, Beijing Sinohytec Limited was converted into a joint-stock company and was renamed as Beijing SinoHytec Co., Ltd., the A Shares of which are listed on the SSE STAR Market with the stock code of 688339
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended and took effect on October 26, 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Dongfeng Group"	Dongfeng Motor Corporation (東風汽車集團有限公司), a company established in the PRC with limited liability on June 25, 1991, an Independent Third Party
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
"Exchange Participant"	a person (a) who, in accordance with the Rules of the Hong Kong Stock Exchange, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

"Fuel cell vehicle development and commercialization scheme"	the Promotion of Demonstration Operation Achievements of fuel cell vehicles in China for the "Accelerating the Development and Commercialization of fuel cell vehicles in China" project of the United Nations Development Programme
"GAC Group"	Guangzhou Automobile Group Co., Ltd., (廣州汽車集團股份有限公司), a company established in the PRC with limited liability on June 6, 1997, an Independent Third Party
"Geely Commercial Vehicle"	Geely Sichuan Commercial Vehicle Co., Ltd., an indirect subsidiary of the controlling shareholder of a HK listed company, and/or its subsidiaries, as the context may require, and unless specifically defined otherwise, an automobile manufacturer
"GGII"	Gao Gong Industry Research Institute, an industry research and consulting firm that focuses on strategic emerging industries in China
"Giraffe Capital Limited"	Giraffe Capital Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being one of the Joint Sponsors
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Gongqing Mastercard"	Gongqing City Mastercard Investment Management Partnership (L.P.) (共青城萬事達投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on January 17, 2016. Its general partner is Gongqingcheng Huade Mastercard Investment Partnership (L.P.) (共青城華德萬事達投資合夥企業(有限合夥)), an Independent Third Party
"**GREEN** Application Form(s)"	the application form(s) to be completed by **HK eIPO White Form** Service Provider designated by the Company
"Group", "our Group", "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"Guochuang High-tech"	Guochuang High-tech Industry Group Co., Ltd. (國創高科實業集團有限公司), a limited liability company incorporated in the PRC on December 2, 1996, which is owned as to 70% by Mr. Gao Qingshou (高慶壽先生), 20% by Mr. Gao Tao (高濤先生) and 10% by Ms. Hao Liqun (郝立群女士), all of whom are Independent Third Parties

"Guotai Junan Capital"	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity for the purpose of the SFO, being one of the Joint Sponsors
"Guotai Junan Securities"	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities for the purpose of the SFO, being one of the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers
"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in HK dollars and to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"H Shareholder(s)"	holder(s) of H Share(s)
"Henan Keyuan"	Henan Keyuan Industrial Investment Fund Partnership (L.P.) (河南科源產業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on March 5, 2018. Its general partner is Henan Keyuan Yukai Investment Management Partnership (L.P.) (河南科源豫開投資管理合夥企業(有限合夥)), an Independent Third Party
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified in the **IPO App** and on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Hong Kong Offer Shares"	the 1,762,800 H Shares offered by us for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee), on and subject to the terms and conditions described in this prospectus, as further described in the section headed "Structure of the Global Offering — Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 23, 2022 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement" in this prospectus
"IFRSs"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	any entity(ies) or person(s) who, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Hong Kong Listing Rules

"International Offer Shares"	the 15,865,200 H Shares offered by our Company pursuant to the International Offering (subject to adjustment as described in "Structure of the Global Offering") together with any additional H Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States and in offshore transactions in accordance with Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering expected to be entered into by, among others, our Company and the International Underwriters on or around the Price Determination Date, as further described in "Underwriting — Underwriting Arrangements and Expenses — The International Offering" in this prospectus
"Joint Bookrunners"	Guotai Junan Securities (Hong Kong) Limited, CLSA Limited, Essence International Securities (Hong Kong) Limited, Zhongtai International Securities Limited, China Everbright Securities (HK) Limited, SPDB International Capital Limited, ICBC International Capital Limited, Futu Securities International (Hong Kong) Limited and Valuable Capital Limited
"Joint Global Coordinators"	Guotai Junan Securities (Hong Kong) Limited and CLSA Limited
"Joint Lead Managers"	Guotai Junan Securities (Hong Kong) Limited, CLSA Limited, Essence International Securities (Hong Kong) Limited, Zhongtai International Securities Limited, China Everbright Securities (HK) Limited, SPDB International Capital Limited, ICBC International Securities Limited, Futu Securities International (Hong Kong) Limited and Valuable Capital Limited
"Joint Sponsors"	Guotai Junan Capital Limited and Giraffe Capital Limited
"JPY"	Japanese yen, the lawful currency of Japan

"Kangrui Yingshi"	Tibet Kangrui Yingshi Industrial Co., Ltd. (西藏康瑞盈實實業有限公司), a limited liability company incorporated in the PRC on April 28, 2015, which is wholly-owned by Yutong Bus
"Latest Practicable Date"	December 20, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of our H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date on which dealings in our H Shares first commence on the Main Board of the Hong Kong Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange, which is independent from and operated in parallel with GEM of the Stock Exchange
"MIIT"	the Ministry of Industry and Information Technology of the PRC
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Zhang"	Zhang Guoqiang (張國強), one of the founders of our Company, chairman of the Board, executive Director, general manager and single largest shareholder of our Company
"NDRC"	the National Development and Reform Commission of the PRC* (中華人民共和國發展和改革委員會)
"NEEQ"	National Equity Exchange and Quotation (全國中小企業股份轉讓系統)
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Global Offering and to be determined in the manner described in the section headed "Structure of the Global Offering" in this prospectus

"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares, with the additional H Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 2,644,200 additional H Shares, representing up to 15% of the Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	PRC Accounting Standards for Business Enterprises
"PRC government", "Central Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
"PRC Legal Advisor"	Beijing DeHeng Law Offices, our legal advisor as to PRC laws
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Thursday, January 5, 2023 (Hong Kong time) on which the Offer Price is determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, but in any event no later than Friday, January 6, 2023
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central people's government of the PRC
"Regulation S"	Regulation S under the U.S. Securities Act

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Runwu Holding"	Runwu Holding Co., Ltd. (潤物控股有限公司), a limited liability company incorporate in the PRC on March 10, 2008, which is wholly owned by Mr. Chen Yuan (陳遠先生), an Independent Third Party
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (國家稅務總局)
"Sentian Airui"	Ningbo Meishan Bonded Port Area Sentian Airui Investment Partnership (L.P.) (寧波梅山保稅港區森田艾瑞投資合夥企業(有限合夥)), a limited partnership established in the PRC on January 25, 2017. Its general partner is Shenzhen Qianhai Chunyang Asset Management Co., Ltd. (深圳前海春陽資產管理有限公司), an Independent Third Party
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Maximfuelcell"	Shanghai Maximfuelcell Technology Co., Ltd. (上海億氫科技有限公司), a company established in the PRC with limited liability on June 21, 2019, and an associate company of our Company which is owned as to 14.0% by us
"Shanghai Shenjie"	Shanghai Shenjie New Energy Technology Center (L.P.) (上海神頡新能源科技中心(有限合夥)), a limited partnership established in the PRC on October 16, 2017. Its general partner is Ms. Tu Ying (屠瑛女士). It is held as to 40% by Ms. Tu Ying, 30% by Mr. Zhang He (張禾先生) and 30% by Mr. Gan Quanquan (甘全全先生). Ms. Tu Ying and Mr. Zhang He are directors of Shanghai SinoFuelCell, while Mr. Zhang He is also our Supervisor and Mr. Gan Quanquan is an employee of Shanghai SinoFuelCell
"Shanghai Shenlong"	Shanghai Shenlong Bus Co., Ltd (上海申龍客車有限公司) and/or its subsidiaries (or Shanghai Shenlong Bus Co., Ltd. (上海申龍客車有限公司)), as the context may require, and unless specifically defined otherwise, a passenger vehicle manufacturer located in Minhang District, Shanghai, China

"Shanghai SinoFuelCell"	Shanghai SinoFuelCell Co., Ltd. (上海神力科技有限公司), a company established in the PRC with limited liability on June 25, 1998, and a non-wholly owned subsidiary of our Company which is owned as to 25.6% by us
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shenchuangtou Manufacturing"	Shenchuangtou Manufacturing Industry Transformation and Upgrade New Materials Fund (L.P.) (深創投製造業轉型升級新材料基金(有限合夥)), a limited partnership established in the PRC on June 28, 2020 with registered capital of RMB27,500,000,000. Its general partner is Shenchuangtou Hongtu Private Equity Investment Fund Management (Shenzhen) Co., Ltd. (深創投紅土私募股權投資基金管理(深圳)有限公司). Its limited partners are National Manufacturing Industry Transformation and Upgrade Fund Co., Ltd. (國家製造業轉型升級基金股份有限公司), Shenzhen Guidance Fund Investment Co., Ltd. (深圳市引導基金投資有限公司), Shenzhen Kunpeng Equity Investment Co., Ltd. (深圳市鯤鵬股權投資有限公司), Shenzhen Luohu Guidance Fund Investment Co., Ltd. (深圳市羅湖引導基金投資有限公司), and Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司)
"Shenzhen Anpeng"	Shenzhen Anpeng Automotive Aftermarket Industry Funds (L.P.) (深圳安鵬汽車後市場產業基金(有限合夥)), a limited partnership established in the PRC on December 12, 2014. Its general partner is Shenzhen Anpeng Equity Investment Fund Management Co., Ltd. (深圳市安鵬股權投資基金管理有限公司), an Independent Third Party
"Shenzhen Everbright"	Shenzhen Everbright Preferred Investment Fund Enterprise (L.P.) (深圳光大優選投資基金企業(有限合夥)), a limited partnership established in the PRC on February 3, 2016. Its general partner is Shenzhen Maohua Investment Management Partnership (L.P.) (深圳茂華投資管理合夥企業(有限合夥)), an Independent Third Party
"Shenzhen Hanneng"	Shenzhen Hanneng New Economic Equity Investment Fund Partnership (L.P.) (深圳漢能新經濟股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on October 22, 2018. Its general partner is Shenzhen Qianhai Hanrui Investment Center (L.P.) (深圳前海漢睿投資中心(有限合夥)), an Independent Third Party

"Shuimu Changfeng"	Beijing Shuimu Changfeng Equity Investment Center (L.P.) (北京水木長風股權投資中心(有限合夥)), a limited partnership established in the PRC on May 8, 2015 and a Shareholder. Its general partner is Shuimu Chuangxin
"Shuimu Chuangxin"	Beijing Shuimu Chuangxin Investment Management Center (G.P.) (北京水木創信投資管理中心(普通合夥)), a general partnership established in the PRC on April 20, 2012. Its general partner is Mr. Wu Yong (吳勇先生), our Director. It is owned by Gongqingcheng Shuimu Guoxin Venture Capital Management Center (L.P.) (共青城水木國信創業投資管理中心(有限合夥)) as to 80%, Mr. Wu Yong as to 10% and Mr. Zhu Dequan (朱德權先生), an Independent Third Party, as to 10%. Gongqingcheng Shuimu Guoxin Venture Capital Management Center (L.P.) is owned by Mr. Wu Yong as to approximately 54.55%
"Shuimu Sail Venture"	Beijing Shuimu Sail Venture Capital Investment Center (L.P.) (北京水木揚帆創業投資中心(有限合夥)), a limited partnership established in the PRC on June 24, 2014 and a Shareholder. Its general partner is Shuimu Chuangxin
"Shuimu Yuanjing"	Nanning Shuimu Yuanjing Venture Capital Investment Center (L.P.) (南寧水木願景創業投資中心(有限合夥)), a limited partnership established in the PRC on September 28, 2017 and a Shareholder. Its general partner is Shuimu Chuangxin
"SinoHytec Power"	SinoHytec Power Technology Co., Ltd. (億華通動力科技有限公司), a limited liability company incorporated in the PRC on November 4, 2016, which is a wholly-owned subsidiary of our Company
"SOE(s)"	state-owned enterprise(s)
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"SSE STAR Market"	the Shanghai Stock Exchange Science and Technology Innovation Board (上海證券交易所科創板)
"SSE STAR Market Listing Rules"	the Rules Governing the Listing of Stock on the Science and Technology Innovation Board of Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》), as amended from time to time
"Stabilizing Manager"	Guotai Junan Securities (Hong Kong) Limited

"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"State Grid"	State Grid Corporation of China, a company established in the PRC with limited liability on May 13, 2003, an Independent Third Party
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Suzhou Qingyan"	Suzhou Qingyan Automotive Industry Venture Capital Enterprise (L.P.) (蘇州清研汽車產業創業投資企業(有限合夥)), a limited partnership established in the PRC on October 8, 2014. Its general partner is Suzhou Qingyan Capital Management Enterprise (L.P.) (蘇州清研資本管理企業(有限合夥)), an Independent Third Party
"Suzhou Xinding"	Suzhou Xinding Kenge Investment Partnership (L.P.) (蘇州新鼎啃哥投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 25, 2016. Its general partner is Beijing Xinding Rongsheng Capital Management Co., Ltd. (北京新鼎榮盛資本管理有限公司), an Independent Third Party
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Toyota"	Toyota Motor Corporation and/or its subsidiaries (or Toyota Motor Corporation), as the context may require, and unless specifically defined otherwise, a global automobile manufacturer
"Toyota Sinohytec"	Toyota Sinohytec Fuel Cell Co., Ltd. (華豐燃料電池有限公司), a company established in the PRC with limited liability on June 28, 2021, and a joint venture of our Company which is owned as to 50% by us and 50% by Toyota and not a connected person of the Company under Chapter 14A of the Listing Rules
"Track Record Period"	the period comprising the three financial years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022

"Tsinghua Foundation"	Tsinghua University Education Foundation (清華大學教育基金會), a fund established in January 25, 1994 whose legal representative is Mr. Yang Bin (楊斌先生), an Independent Third Party
"Tunghsu Optoelectronic"	Tunghsu Optoelectronic Technology Co., Ltd. (東旭光電科技股份有限公司), a company incorporated in the PRC on December 26, 1992 and listed on the Shenzhen Stock Exchange with the stock codes of 000413 and 200413
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United Fuel Cell"	United Fuel Cell System R&D (Beijing) Co., Ltd., (聯合燃料電池系統研發(北京)有限公司) a company established in the PRC with limited liability on August 20, 2020, and our associate company, which is owned as to 15% by us, 65% by Toyota, and 5% by each of Dongfeng Group, China FAW, GAC Group, and BAIC Group
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated under it
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Xinhe Dingwei"	Ningbo Meishan Bonded Port Xinhe Dingwei Investment Management Partnership (L.P.) (寧波梅山保税港區新和鼎維投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 2, 2017. Its general partner is Beijing Xinding Rongsheng Capital Management Co., Ltd. (北京新鼎榮盛資本管理有限公司), an Independent Third Party
"Yutong Bus"	Yutong Bus Co., Ltd. (宇通客車股份有限公司) and/or its subsidiaries (or Yutong Bus Co., Ltd. (宇通客車股份有限公司)) as the context may require, and unless specifically defined otherwise, a manufacturer of commercial vehicles, headquartered in Zhengzhou, Henan Province, China

"Zhangjiakou Haiper"	Zhangjiakou Haiper New Energy Technology Co., Ltd. (張家口海珀爾新能源科技有限公司), a company established in the PRC with limited liability on August 31, 2017, and an associate company of our Company, which is owned as to 26.2% by SinoHytec Power, a wholly-owned subsidiary of our Company
"Zhejiang Kangsheng"	Zhejiang Kangsheng Co., Ltd. (浙江康盛股份有限公司), a company incorporated in the PRC on November 26, 2002 and listed on the Shenzhen Stock Exchange with the stock code of 002418, and an Independent Third Party
"Zhuhai Xingzhan"	Zhuhai Xingzhan Capital Management Co., Ltd. (珠海星展資本管理有限公司) (renamed as Zhuhai Haohui Investment Co., Ltd. (珠海浩匯投資有限公司)), a company incorporated in the PRC on September 8, 2015, which is wholly-owned by Zhongtai Chuangzhan (Zhuhai Hengqin) Asset Management Co., Ltd. (中泰創展(珠海橫琴)資產管理有限公司), an Independent Third Party
"%"	per cent

In this prospectus, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations, national, departments, certificates or qualifications have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms and may not be comparable to similar terms adopted by other companies.

"air compressor"	an electric pneumatic device that converts power into potential energy stored in pressurized air
"bipolar plate"	a multi-functional component within the PEM fuel cell stack. It connects and separates the individual fuel cells in series to form a fuel cell stack with required voltage, aids uniform distribution of fuel gas and oxygen over the entire active surface area of the membrane-electrode assemblies. Bipolar plates are generally divided into graphite bipolar plates or metallic bipolar plates
"CAGR"	compound annual growth rate
"DC-to-DC converter"	an electronic circuit or electromechanical device that converts a source of direct current from one voltage level to another
"EV" or "electric vehicle"	the lithium battery electric vehicles
"freeze-start"	the starting of a vehicle engine at a temperature below the freezing point
"fuel cell"	an electrochemical cell that converts the chemical energy of hydrogen and an oxidizing agent (often oxygen) into electricity through a pair of redox reactions
"fuel cell stack" or "stack"	a collection of single fuel cells, arranged in series and parallel to achieve the required power and voltage output
"hydrogen"	a colorless, odorless gaseous chemical substance that can be produced from a variety of resources and has versatile application areas such as in transportation, whereas hydrogen is used as a clean fuel to power fuel cell vehicles. Depending on production methods, hydrogen can be classified into gray hydrogen (hydrogen produced from fossil fuels without capturing the greenhouse gases emitted), blue hydrogen (hydrogen generated from fossil fuels while the carbon dioxide is captured and then stored or reused), and green hydrogen (hydrogen produced from renewable energy resources with no carbon dioxide emission)
"hydrogen circulation pump"	a device within a fuel cell to ensure hydrogen recirculation

"hydrogen fuel cell system" or "fuel cell system"	a vehicle power system that converts the chemical energy of hydrogen and an oxidizing agent (often oxygen) into electricity through electrochemical reactions. In a fuel cell, hydrogen and oxygen are combined to generate electricity, heat, and water
"kW"	kilowatt, a unit of power equal to one thousand watts
"MEA" or "Membrane Electrode"	the core component of a fuel cell stack where electrochemical reaction takes place
"MIIT New Energy Vehicle Catalogs"	Catalog of Recommended Models for the Promotion and Application of New Energy Vehicles published by the Ministry of Industry and Information Technology of the PRC, or the MIIT, in the period from 2017 to 2021, which include relevant data of new energy vehicles registered with them
"MW"	megawatt, a unit of power equal to one million watts
"PEM" or "Proton-exchange membrane fuel cell"	proton-exchange membrane, a semipermeable membrane generally made from ionomers and designed to conduct protons while acting as an electronic insulator and reactant barrier
"power density"	it is a measurement of power output per unit mass/volume; and for a fuel cell system it refers to its rated power divided by mass and is usually presented in kW/kg, and for a fuel cell stack it refers to its rated power divided by volume and is usually presented in kW/L
"radiator"	a component that removes heat from liquid coolant in forced convection on finlike structure with fans
"rated power"	the maximum stable power output of a fuel cell system in kW

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "aim", "aspire", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- future developments, trends, changes to regulatory and operating conditions in the industries and markets in which we operate;
- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- general political and global economic conditions, especially those related to China, and macro-economic measures taken by the PRC government to manage economic growth; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this prospectus.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

An investment in our H Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our consolidated financial statements and related notes, before you decide to purchase our H Shares. If any of the circumstances or events described in this section actually arises or occurs, our business, results of operations, financial position and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

The following is a description of what we consider to be our material risks, some of which are beyond our control. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our business, financial position and results of operations.

RISKS RELATING TO THE PRC FUEL CELL VEHICLE INDUSTRY AND FUEL CELL SYSTEM MARKET

Our business depends on the PRC government policies and regulatory framework supporting the fuel cell vehicle industry, which the PRC government could change or eliminate.

The PRC fuel cell vehicle industry is still at its early stage of development. In recent years, the PRC government has adopted favorable policies and development plans, such as granting subsidies and other economic incentives, to encourage the development, sale, and adoption of new energy vehicles, including fuel cell vehicles. For example, in September 2020, the Ministry of Finance, together with several other PRC government departments, jointly issued the Notice on Starting the Pilot Adoption of Fuel Cell Vehicles (《關於開展燃料電池汽車示範應用工作的通知》) to carry out the pilot adoption of fuel cell vehicles in order to promote the sustained and orderly development of fuel cell vehicle industry in China. This notice also changed the government subsidy model for fuel cell vehicles from granting subsidy to qualified fuel cell vehicles manufacturers to awarding eligible city clusters for the commercialization of key technologies used in the fuel cell vehicles and the pilot adoption of fuel cell vehicles within the city cluster. Since August 2021, the PRC government has approved five fuel cell vehicle demonstration city clusters, led by Beijing, Shanghai, Guangdong, Zhengzhou and Zhangjiakou, where most of our major customers are located. In addition, in March 2022, the NDRC issued the Medium- and Long-term Development Plan for Hydrogen Industry (2021–2035) (《氫能產業發展中長期規劃(2021–2035年)》), setting the goal of systematically promoting the development of hydrogen energy industry chain and expanding low-carbon hydrogen supply. See "Industry Overview".

Since substantially all of our revenue was generated from the sale of fuel cell systems, which depends on the market demands for fuel cell vehicles, a fuel cell system manufacturer in China like us as well as downstream market participants like fuel cell vehicle manufacturers and public transport operators are highly dependent on the favorable government policies and development plans towards this industry.

As the regulatory framework and government policies in China for fuel cell vehicles are relatively new and still evolving, these government policies may be subject to restrictions and uncertainties beyond our control and the PRC government may also continuously adjust and change these policies. Also, the implementation and enforcement of them may differ from region to region in China. See "Regulatory Overview — Government Policies Relating to Fuel Cells".

Any reduction or cancelation of the favorable government policies such as subsidies and economic incentives due to policy changes, fiscal tightening or otherwise, or any government guidance that reduces the demand for fuel cell vehicles could weaken the competitiveness of the fuel cell vehicle industry generally, in which event there may be a material and adverse effect on our business, financial condition and results of operations.

The demand for our products depends on the trend and development of the PRC fuel cell vehicle industry and the availability of other types of new energy vehicle. There are uncertainties in future market demand and we cannot assure that we will continue to obtain sufficient purchase orders in the future.

The demand for our products depends on the general market demand for fuel cell vehicles in China, especially in the commercial vehicle market. The PRC fuel cell vehicle industry is still at an early stage of development, characterized by changing technologies, immature infrastructure, intense competition, evolving government regulation and industry standards, and changing market demands. In particular, the availability of hydrogen refueling stations and the development of related infrastructure in China is still lagging compared to the charging infrastructures of the electric vehicle industry. Some vehicle manufacturers may even change their business focus to the development of electric vehicles other than the hydrogen fuel cell vehicle market in the future. In addition, the rapidly evolving market and the availability of the alternative products or technologies, such as battery electric vehicle and hybrid electric vehicle, may adversely affect our business and prospects in ways we do not currently anticipate. Our selling and distribution expenses increased from RMB48.5 million in 2019 to RMB62.3 million in 2021 due to our greater marketing and customer development efforts in maintaining and increasing our market share. Other factors that may affect the development of the fuel cell vehicle industry and the adoption of fuel cell vehicles include:

- the continuous availability of government subsidies and incentives to buy, use and operate fuel cell vehicles, or future regulation requiring the increase in the use of pollution-free vehicles;

- perceptions about the quality, safety, design, performance and cost of fuel cell vehicles, especially if there are adverse events or accidents related to the quality or safety of fuel cell systems, regardless of whether relevant products are produced by us or by other manufacturers;
- the number and location of hydrogen refueling stations, the cost of hydrogen and the continuous availability of government subsidies for the use of hydrogen;
- the availability and convenience of after-sales services for fuel cell vehicles and fuel cell systems;
- the improvement in fuel cell vehicles and fuel cell systems;
- the environmental consciousness of consumers; and
- macroeconomic factors.

According to the CIC Report, the demand and market acceptance for newly introduced products is subject to a high level of uncertainties in a rapidly evolving industry such as ours. If there are major changes in the future development trends in the fuel cell vehicle industry, or the market demand does not grow as we expected, our business, financial condition, results of operations, and prospects will be materially and adversely affected.

We are in a new industry where emerging technologies used in fuel cell systems may not be mature. Any major product defects, malfunctions or negative news concerning the fuel cell vehicle industry may damage our reputation and adversely affect our business, financial condition and results of operations.

At present, the fuel cell vehicle industry in China is still in the early stage of commercialization, where emerging technologies used in fuel cell systems and vehicles may be immature. Although we conduct comprehensive inspections during production processes and on the finished products, errors, defects, or poor performance can arise due to design flaws, defects in raw materials or components or manufacturing difficulties, which can affect the quality and performance of our products. New generation of products or latest technologies that are newly developed or first launched may contain potential technical errors or safety issues. Any actual or perceived errors, defects, or poor performance in our products could result in the replacement, repairment or rejection of our products, shipment delays, lost revenue, diversion of our engineering personnel from its product development efforts, increases in customer service and support costs and damage to our reputation, all of which could have a material adverse effect on our business. In addition, product liability claims, injuries, defects, or other problems experienced by other companies in the fuel cell vehicle industry, any negative news or incidents about the fuel cell systems, hydrogen transport vehicles and hydrogen refueling stations could lead to unfavorable market reputation for the industry as a whole and may have an adverse effect on the market demands and our ability to attract new customers, thus harming our business growth and financial performance.

We face intense market competition and the industry may undergo unforeseen changes under a rapid development. If we fail to compete successfully, our business and results of operations may be materially and adversely affected.

We are a leading provider of fuel cell systems in China. We currently face, and will continue to face, significant competition from domestic and overseas manufacturers of similar products. The market concentration for fuel cell systems produced by fuel cell system manufacturers is high as the top five players accounted for 91.6% of the total power output of fuel cell systems sold in China in 2021, according to the CIC Report. See "Business — Competition".

We believe that our ability to compete effectively against other market participants depends upon many factors, some of which are beyond our control, including:

- the performance, reliability and technology advancement of our products compared to those of our competitors, which are highly dependent on the research and development and technological capabilities of our product, and our insights into customer needs and preferences as compared to our competitors;
- our ability to identify and capture new market opportunities in advance of our competitors;
- our reputation and brand strength relative to our competitors;
- regulations or government policies in the industry where we operate;
- our ability to attract, retain, and motivate talented employees, in particular highly qualified research and development personnel; and
- our ability to manage and grow our operations in a cost effective manner.

The fuel cell vehicle industry and its technology are growing rapidly and also subject to unforeseen changes. The fuel cell vehicle industry may also face competition from internal combustion engine vehicles and electric vehicles. In particular, electric vehicles may further develop and be capable for high loading capacity and long driving range, which outperform the fuel cell vehicles on market. Technological advances in internal combustion engine vehicles or electric vehicles, or improvements in the fuel economy of the internal combustion engine, other resources or our competitors' fuel cell systems technologies may negatively affect the development or sale of our products or make us non-competitive or obsolete prior to large-scale commercialization or afterwards in ways we do not currently anticipate.

According to the CIC Report, the total number of market participants in fuel cell system market increased from approximately 62 in 2016 to over 140 in 2021 at a CAGR of 17.7%. As the favorable government policies in developing fuel cell systems and fuel cell vehicles led to an increasing number of market players in the fuel cell system industry, the competition has intensified, which resulted in the reduction in average selling prices of fuel cell systems and the increase in selling and distribution expenses from RMB48.5 million in

2019 to RMB62.3 million in 2021 as we increased our marketing and customer development efforts to maintain or increase our market share. We have experienced downward pricing pressure in 2019, 2020, 2021 and the six months ended June 30, 2022, our products' average selling price per kW was approximately RMB20,205, RMB14,042, RMB8,843 and RMB4,980, respectively. In addition, although our average raw material cost per kW of our fuel cell systems decreased during the Track Record Period, we expect that the increasing trend of our sales of fuel cell systems supported by third-party fuel cell stacks with relatively higher costs compared with those manufactured by us may continue as we will procure fuel cell stacks from such third-party suppliers at the request of our customers, which may result in an increase in our cost of sales in the future. Therefore, we expect downward pressure on the gross profit margin of our products and this trend may continue in the future.

Our competitors, including market players in electric vehicle industry, may have substantially more financial and other resources, R&D capabilities, longer operating histories, as well as broader product applications and larger market share. We may be unable to compete successfully against these competitors or new market entrants, which may adversely affect our business and financial performance. Any failure by us to successfully react to changes in alternative technologies and competitive market conditions could materially harm our competitive position and growth prospects.

RISKS RELATING TO OUR BUSINESS

We recorded net losses in the past and had negative cash flows from operating activities, all of which may continue if we may not be able to implement our business plans successfully in the future.

We recorded net losses of RMB9.8 million, RMB185.4 million and RMB81.6 million in 2020, 2021 and the six months ended June 30, 2022, primarily due to (i) the significant impairment loss of our trade receivables provided; (ii) the write down of inventories associated with lower market demand of low power output products; (iii) continuous expansion of our business scale during the Track Record Period to maintain our market leading position, including the expansion of production capacity, customer base and geographical coverage; In particular, the total number of our employees increased from 548 as of December 31, 2019 to 879 as of June 30, 2022 to support our growth of sales and expanded business promotion, which resulted in the increase in selling and distribution expenses and administrative expenses during the Track Record Period; (iv) our continuing investments in the research and development of new products; and (v) the continuous decrease in the average selling price per kW of fuel cell systems as a result of the intensifying market competition. Given that we had decreasing gross profit margin, increasing expenses and recurring net losses incurred during the Track Record Period, even though our sales volume and revenue may increase in light of the continuing implementation of the favorable PRC government policies and regulatory framework supporting the fuel cell vehicle industry, we anticipate that we will continue to incur losses until we can obtain sufficient purchase orders and expand our sales to the level of economies of scale that enables us to become profitable. We had negative cash flows from operating activities of RMB179.2 million, RMB203.0 million, RMB92.4 million and RMB20.1 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The pressure on us to generate positive cash flow from operating activities may be further exacerbated if we fail to collect our trade receivables in time.

We cannot assure you that we will successfully execute our business strategies hence we may not generate sufficient income from our business operations, profits or positive cash flow from operating activities in the future for a number of reasons, including lack of demand for our products and services, changes in the government policies toward fuel cell vehicle industry, increasing market competition, failure of collecting our trade receivables in time or at all, as well as other risks discussed herein. If we fail to effectively and efficiently implement our business plans, we may not be successful in achieving profitable results. Our financial condition, results of operations and growth prospects may be materially and adversely affected if our future business plans fail to achieve positive results. In addition, our ability to become profitable in the future will not only depend on our efforts to sell our products but also to control our costs. If we are unable to adequately control the costs associated with our operations, we may continue to experience losses and negative cash flows from operating activities in the future.

In addition, we may need additional capital resources in the future to further improve our research and development capability, enhance supply chains, expand our production capacity and sales network, pursue opportunities for investments, acquisitions, capital expenditures or similar actions, or if we experience change in business condition or other unanticipated developments. During the Track Record Period, we incurred significant amount of cash outflows for investing activities. Since we have not continuously recorded net profit or positive cash flows from operating activities during the Track Record Period, we may continue to rely on equity or debt financing to meet our working capital and capital expenditure requirements. If we were unable to acquire sufficient additional capital in a timely manner or on terms that are acceptable, or at all, we may fail to implement our business plans or experience disruptions in our operating activities, and our business, financial condition and results of operations would be materially and adversely affected.

The large-scale commercialization of fuel cell systems and technologies may fall short of our expectation, which may lead to unsatisfactory market development and affect our business operation.

The commercialization of the fuel cell vehicles in China is still at an early stage. In 2019, 2020 and 2021, the total number of fuel cell vehicles sold in the PRC market were approximately 2,700, 1,200 and 1,600 respectively. The sales volume of our fuel cell systems were 498, 494, 543 and 519 units in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. At the moment, our industry is in the critical period of technology research and development, pilot adoption and core technology commercialization. In August 2022, we completed the construction of second phase of our Zhangjiakou Plant. As of the Latest Practicable Date, our Zhangjiakou Plant had a maximum annual production capacity of 10,000 units of fuel cell systems, which was expected to be fully operational by the end of 2022. However, we may face difficulties and obstacles in the process of exploring the large-scale commercialization of our products, including weak supply chains, insufficient batch production progress, inefficient and inadequate production equipment and quality controls, and other unexpected risks which may occur during the large-scale commercialization of fuel cell systems.

The large-scale commercialization process and capabilities of our core products and technologies may not be as smooth as we expected, which may lead to unfavorable market position and less competitiveness in the future and affect our business and results of operations.

We depend on a concentration of major customers and we do not enter into long-term sales agreements with them. Any loss of these customers or future purchase order from them would adversely affect our business, financial condition, results of operations and cash flows.

According to the CIC Report, since the fuel cell vehicle industry in China is still at an early stage of development, its market size is relatively small and commercial vehicle manufacturers adopting fuel cell systems are highly concentrated. During the Track Record Period, most of our revenue was generated from a limited number of customers. Our revenue generated from our five largest customers in 2019, 2020, 2021 and the six months ended June 30, 2022 accounted for 91.9%, 77.7%, 84.2% and 94.7%, respectively, of our total revenue. Our results of operations and financial condition will continue to depend on (i) our ability to continue to obtain orders from these major customers; (ii) the financial condition and commercial success of these customers; and (iii) factors that affect the development of the fuel cell vehicle industry. We cannot assure you that we will be able to retain any of our largest customers or any other key customers. Any material delay, cancelation or reduction of orders from our major customers could cause our sales volume to decline significantly, and in any such event, our results of operations may be materially and adversely affected.

In addition, due to the industry practice and our business operating model, we do not enter into long-term agreement or commitment with any of our major customers, and they are not obligated to purchase any minimum amount of our products or to provide us with binding order forecasts for any period. Instead, we sell our products primarily based on sales agreements which generally have a term of one year and need to be renewed by mutual consent on an annual basis. We cannot assure you that these customers will place orders with us in the future at the same levels as in prior periods, or that any of these or future customers will not terminate their procurement or service agreements with us or significantly change, reduce, delay or cancel the products and services ordered from us. If any of the foregoing events occurs, especially with respect to our major customers, there would be a material adverse effect on our business, financial condition, results of operations and cash flows.

We are exposed to credit risk of our customers and outstanding trade and bills receivables, and our receivables turnover days remained at a relatively high level during the Track Record Period.

Our business operations are subject to the risk of payment deferrals and/or defaults by our customers. We typically grant our customers credit terms within 90 days. However, we may not be able to receive payment for our products on time. Historically, the average turnover days of our receivables were around one to two years. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded trade and bills receivables of RMB676.7 million, RMB935.9 million, RMB844.4 million and RMB779.5 million, respectively, representing 57.3%, 40.4%, 36.4% and 34.5% of our current assets as of the same dates, respectively.

We recorded a large amount of receivables from some of our major customers including Beiqi Foton and Yutong Bus, with whom we have maintained long-term business relationships. As these customers are well-known commercial vehicle manufacturers, we consider them as having stronger bargaining power. See "Financial Information — Factors Affecting Our Results of Operation — Ability to Collect Trade Receivables, Manage Trade Receivable Turnover Days and Collection and Payment Cycle". Moreover, our customers might not settle their outstanding balance to us when due because they may encounter working capital constraints and some of them even face operating pressure due to continued losses.

In 2019, 2020 and 2021, our net impairment losses for trade and bills receivables amounted to RMB58.1 million, RMB92.2 million and RMB164.7 million, respectively, for losses arising from potential bad debts in respect of our trade and bills receivables in the ordinary course of business. We recorded reversal of impairment loss on trade and bills receivables of RMB5.3 million for the six months ended June 30, 2022. Although our management's estimates and the related assumptions have been made in accordance with information available to us, such estimates or assumptions are subject to further adjustment if new information becomes known. See "Financial Information — Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables". Although we perform on-going credit evaluation of financial conditions on our customers, we cannot assure you that our customers will pay us in full for their purchases in a timely manner pursuant to the payment schedules listed in our agreements or at all in the future. If we fail to receive such outstanding amounts from our customers in full or in a timely manner, or at all, our liquidity might be adversely affected, and our business and financial condition will be materially and adversely affected.

Our product sales are mainly completed in the second half of the year, especially in the fourth quarter, which resulted in a material seasonal fluctuation in our results of operations.

According to the CIC Report, the production and sales of fuel cell vehicles in China are seasonal, and our business is also affected by such seasonality. Vehicle manufacturers usually select product models after the review of subsidy policies to ensure the fuel cell vehicles to be produced can meet the conditions for receiving subsidies. Our order confirmation and production arrangements are in accordance with this practice. In addition, since the fuel cell vehicle industry is still in the early stage of commercialization, its supply chain is not as developed as the internal combustion engine vehicle industry or electric vehicle industry. As such, after we commenced the production in the second half of a year, the final product completion and delivery time will usually take place in the fourth quarter. Therefore, most of the revenue will be recognized in the second half of a year (especially during the fourth quarter). In 2019, 2020 and 2021, our revenue recorded in the fourth quarter amounted to RMB430.2 million, RMB443.2 million and RMB255.9 million, respectively, representing 77.7%, 77.4% and 40.7% of our total revenue in the same year. The significant decrease in our revenue in the fourth quarter of 2021 was primarily because some of the customer orders relating to the Beijing 2022 Olympic Winter Games, which took place in early 2022, of RMB193.3 million (a total of 118 units) were delivered in the third quarter of 2021. In 2019, 2020 and 2021, we produced 433, 416 and 433 units of fuel cell systems in the fourth quarter that accounted for 72.0%, 75.4% and 54.9% of our total production volume in the same year. Given that fuel cell vehicle industry in China is still developing and will continue to be affected by the annual periodicity of government subsidy policy and vehicle production for the foreseeable future, we expect the seasonal characteristics of our product sales and revenue recognition will continue. Accordingly, comparison of sales and operating results from different periods in any given financial year may not be relied upon as indicators of our performance.

Most of our products are sold to commercial vehicle manufacturers, whose development capabilities, financial condition, and commercial success will directly affect our results of operations.

Our major customers are commercial vehicle manufacturers in China including Beiqi Foton, Yutong Bus and Geely Commercial Vehicle, many of whom operate in markets that are subject to cyclical fluctuations resulting from market uncertainty, government policies, costs of goods sold, market competition, labor shortages, and other factors beyond our control. The market demand for our customers' products may also be affected by the price fluctuations due to the changes in the government's subsidy policy. In addition, any financial or economic crisis, perceived threat of such crisis or deterioration of PRC and global macroeconomic environment may make it difficult for our customers to accurately plan their future business activities. Any of these factors could affect our customers' sales volume, profit margin and working capital and cause them to idle or close facilities, delay purchases, reduce production levels, or experience reductions in the demand for their own products or services. Any of these events could affect the business operation of our customers and also reduce the volume of products these customers purchase from us, impair the ability of our customers to make full and timely payments and could cause increased pressure on our selling prices and terms of sale or even cause them to terminate their relationships with us. For example, certain of our major customers faced working capital constraints and some of them even faced operation pressure due to continuous losses. Since their financial situations have not improved due to a long period for collecting government subsidy and other factors, this may result in our slower collection of these trade receivables. See "— Risks Relating to Our Business — We are exposed to credit risk of our customers and outstanding trade and bills receivables, and our receivables turnover days remained at a relatively high level during the Track Record Period".

We cannot assure you that whether our major customers' business and financial conditions will not be further affected by any of the future changes. If any of our major customers were to substantially reduce their purchase volume or unable to pay for our products in time or terminate their business relationship with us, our business, financial condition and results of operations would be materially and adversely affected.

Our products are subject to continuous technological change and evolution. Our research and development efforts may not yield the results as expected to maintain our market share and competitiveness in the PRC fuel cell market.

Research and development and technological innovation is critical to the improvement of our product quality and performance, and we compete on the basis of our products' reliability, fuel efficiency, environmental considerations and cost. We have been investing heavily on our research and development efforts. In 2019, 2020, 2021 and the six months ended June 30, 2022, we incurred research and development expenses of RMB83.9 million, RMB74.7 million, RMB92.8 million and RMB60.3 million respectively, accounting for 15.2%, 13.0%, 14.7% and 22.4% of our total revenue during the respective periods. In 2019, 2020, 2021 and the six months ended June 30, 2022, our addition of development costs capitalized under intangible assets was RMB50.2 million, RMB51.4 million, RMB72.1 million and RMB17.9 million respectively.

The fuel cell vehicle market is experiencing rapid technological changes, and we need to continuously invest significant resources in research and development to lead technological advances and remain competitive in the market. Therefore, we expect that our research and development expenses will continue to be significant and greater than previous years to execute our strategies. However, research and development activities are inherently uncertain, and we cannot assure that we will continue to achieve technological breakthroughs and successfully commercialize such breakthroughs. Our significant expenditures on research and development may not generate corresponding benefits. If our research and development efforts fail to keep up with the latest technological developments or we fail to meet customer or industry standards in a timely manner or at all after product testing and certification, we would suffer from a decline in our competitive position. For example, we believe product upgrade is a key factor that differentiates our fuel cell systems from competing products, and we have dedicated significant efforts in this area. Any delay or setbacks in our efforts to upgrade and improve our products and their functionality could materially and adversely affect our business, market share, results of operations and product development efforts. We plan to develop a new generation of products based on our new generation of R&D platform, which is also expected to involve substantial research and development costs. We cannot assure you that we will be able to successfully develop our future products with advanced technologies in time or at all. Even if we can keep pace with changes in technologies and develop new products, our prior products could become obsolete more quickly than expected, potentially reducing our return on investment.

We rely on a small number of major suppliers. If we fail to obtain sufficient amounts of raw materials or components in time or that meet our quality standards and/or at commercially acceptable prices, our business, financial condition and results of operations would be materially and adversely affected.

Our purchase from our top five suppliers accounted for approximately 40.1%, 50.5%, 55.2% and 48.5% of our total purchases in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We rely on various types of raw materials and key components for the manufacture of our products and only have a limited number of suppliers meeting our quality standards for some of the key components, including fuel cell stacks, membrane electrode assemblies and high pressure hydrogen tanks. In addition, we have higher requirements for the performance and quality of these key components, which make suppliers spend more time to develop their products to meet our demand thus resulting in a longer delivery time. Any of our major supplier's failure to develop and supply components in a timely manner or to supply components that meet our quality, quantity or cost requirements or technical specifications or our inability to obtain alternative sources of these components on a timely basis or on terms acceptable to us could harm our ability to manufacture our products. Furthermore, any significant increase in the price of key components and raw materials required for our production will increase our costs and may adversely affect our results of operations if we are not able to pass on the increased costs to our customers in a timely manner or at all. The price of these key components and raw materials may be affected by factors beyond our control, such as global demand for, and supply of, such materials, inflation and global economic cycles. Although during the Track Record Period, we did not experience any shortage or significant price increase in the supply of these raw materials and components, we cannot assure you that there will not be any in the future. Furthermore, Toyota Sinohytec offered us bulk purchase discount to the purchase price per unit of their fuel cell stacks in 2022. As confirmed by our Directors, we will negotiate with Toyota Sinohytec for a similar bulk purchase discount to the purchase price of their fuel cell stacks in the future. However, we cannot assure you that Toyota Sinohytec will offer a similar bulk purchase discount or any discount at all in the future. We may fail to renegotiate the bulk purchase discount with Toyota Sinohytec in each year thereafter. If any of our major suppliers is unwilling or unable to provide us with high-quality raw materials or components in required quantities and/or at commercially acceptable prices, on satisfactory terms in a timely manner, or at all, or any shortage or large fluctuation in raw material prices occurs, it would materially and adversely affect our production, business, financial condition and results of operations.

Our control over certain subsidiary may be reduced, which could adversely affect our business, results of operations and financial condition.

Shanghai SinoFuelCell is one of our major subsidiaries with principal business activities of R&D, manufacturing and sales of fuel cell stacks and fuel cell testing equipment. Shanghai SinoFuelCell owned the Shanghai Plant and is principally responsible for producing fuel cell stacks used in most of our products. Shanghai SinoFuelCell owned over 100 independent intellectual property rights and participated in four R&D projects mainly related to fuel cell stacks as of June 30, 2022. In addition, it had a total of 325 employees including 70 research and development personnel as of June 30, 2022. In 2019, 2020, 2021 and the six months ended June 30, 2022, 484, 298, 260 and 498 units of our sold fuel cell systems carried the fuel cell stacks produced by Shanghai SinoFuelCell, representing 97.2%, 60.3%, 47.9% and 96.0% of our total sales volume, respectively. Revenue contributed by SinoFuelCell was RMB27.1 million, RMB13.8 million, RMB29.2 million and RMB18.0 million in 2019, 2020, 2021 and the six months ended June 30, 2022, representing 4.9%, 2.4%, 4.6% and 6.7% of our total revenue. Such sales mainly represented sales of fuel cell system, sales of fuel cell stacks and related components and other testing equipment for fuel cell stacks and related components to Independent Third Parties. Shanghai SinoFuelCell contributed RMB10.3 million, RMB2.6 million, RMB5.0 million and RMB6.5 million to the gross profit of the Group in 2019, 2020, 2021 and the six months ended June 30, 2022, representing 4.2%, 1.1%, 2.1% and 6.2% of our total gross profit, respectively. Its total assets as of December 31, 2019, 2020 and 2021 and June 30, 2022 was RMB332.5 million, RMB397.2 million, RMB823.8 million and RMB802.2 million, representing 19.7%, 13.0%, 22.8% and 22.1% of our total assets, respectively. The total equity of Shanghai SinoFuelCell was RMB143.3 million, RMB229.4 million, RMB557.5 million and RMB524.8 million as of December 31, 2019, 2020, 2021 and June 30, 2022, representing 12.5%, 9.5%, 19.3% and 18.4% of our total equity, respectively. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we were able to exercise 47.45%, 45.55%, 36.41% and 36.41% of voting rights of Shanghai SinoFuelCell through our direct equity holding and voting rights entrusted to us by Shanghai Shenjie. See "History, Development and Corporate Structure — Our Subsidiaries".

We consolidated Shanghai SinoFuelCell's results of operations during the Track Record Period because among other factors, we have been able to exercise sufficiently dominant voting rights, control the majority of its board seats and direct its business activities. For illustration purpose only, in the event that our Group fails to maintain control over and consolidate the financial information of, Shanghai SinoFuelCell (the "**Exclusion**"), our revenue would have decreased by RMB26.2 million, RMB10.9 million, RMB29.2 million and RMB16.4 million in 2019, 2020, 2021 and the six months ended June 30, 2022, representing 4.7%, 1.9%, 4.6% and 6.1% of our total revenue, respectively. In addition, we would have to incur a higher cost of raw materials in relation to the purchase of fuel cell stacks from Shanghai SinoFuelCell as the markup on cost of Shanghai SinoFuelCell would not be eliminated in our consolidated financial statements. Our gross profit would have decreased by RMB43.3 million, RMB18.4 million, RMB21.0 million and RMB17.4 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively; our total assets would have decreased by RMB177.8 million, RMB173.0 million, RMB501.7 million and RMB410.1 million as of December 31, 2019, 2020, 2021 and June 30, 2022, representing 10.5%, 5.6%, 13.9% and 12.7% of our total assets as of the end of the corresponding year or period; and our total equity would have decreased by RMB97.1 million, RMB144.2 million, RMB395.4 million and RMB369.5 million as of December 31, 2019, 2020, 2021 and June 30, 2022, representing 8.5%, 5.9%, 13.7% and 13.0% of our total equity as of the end of the corresponding year or period. Moreover, in the event of the Exclusion, we would no longer be able to control or direct the use of the Shanghai Plant which is owned by Shanghai SinoFuelCell for the production and testing of fuel cell stacks. Our R&D capability on fuel cell stacks would also be adversely affected in the event of the Exclusion as Shanghai SinoFuelCell (i) owned more than 100 independent intellectual property rights in relation to the fuel cell stacks; (ii) was involved in four research and development projects mainly related to fuel cell stacks as of June 30, 2022; and (iii) had a total of 325 employees including 70 research and development personnel as of June 30, 2022.

Our Directors considered that we have the power to direct relevant activities of Shanghai SinoFuelCell during the Track Record Period and therefore have control over Shanghai SinoFuelCell. See "Financial Information — Critical Accounting Policies, Judgments and Estimates — Significant Accounting Estimates" and note 5.1 to the Accountants' Report set out in the Appendix I to this prospectus. However, our voting rights and control of Shanghai SinoFuelCell may be weakened if Shanghai SinoFuelCell further increases its capital contribution and dilutes our equity interest. In the event that Shanghai SinoFuelCell may have capital injection in the future, we will take appropriate steps and measures, including further capital injection, to preclude reduction in our equity interest in, and to maintain our control over, Shanghai SinoFuelCell.

In addition, Shanghai Shenjie shall pledge all its equity interest in Shanghai SinoFuelCell (the "**Pledge**") to Shenchuangtou Manufacturing to guarantee its payment obligation, and according to our PRC Legal Advisor, the Pledge shall not affect Shanghai Shenjie's exercise of its voting rights over Shanghai SinoFuelCell, nor affect its entrustment of voting rights to us. See "History, Development and Corporate Structure — Our Subsidiaries — Entrustment Arrangement with Shanghai Shenjie". As the shareholders of Shanghai Shenjie paid up the registered capital in full by August 31, 2022, Shenchuangtou Manufacturing is not entitled to enforce all or any part of its right of the Pledge.

If we fail to maintain control over Shanghai SinoFuelCell, our future business strategy, in particular relating to the production and research and development of fuel cell stacks, may be adversely affected, and we may not be able to continue consolidating Shanghai SinoFuelCell's financial results, which may adversely affect our business, results of operations and financial condition.

We may be subject to risks relating to strategic investments and acquisitions.

One of the key components of our strategy is to pursue the vertical integration of our supply chains and resources through alliance, investments and acquisitions, and ultimately reduce raw material costs and maintain stable gross profit margin of our products. We may grow through acquisitions, investments and other strategic alliances on a selective basis, depending on our internal resources. Any future acquisition and strategic investments may expose us to operational, regulatory and market risks. Before the completion of potential acquisition or alliance, we face the risk that we may not be able to identify suitable acquisition candidates or alliance partners or complete an acquisition or alliance on commercially acceptable terms in the future. If we fail to identify appropriate candidates or complete desired acquisitions, we may not be able to implement our growth strategies effectively. After the completion of potential acquisition or alliance, we are subject to the risk that the companies in which we invest may make business, financial or management decisions which we do not agree, and over which we do not have control, or that the controlling shareholders, or the management, of the companies may act in a manner that does not serve our interests. Furthermore, if any of the strategic investee companies suffers any negative publicity as a result of its business operations, our reputation may be negatively affected by virtue of our investment in or acquisition with such party. We cannot assure you that our future strategic investments and acquisitions could yield the results as expected.

We are subject to the liquidity risk in our association with strategic associates and joint ventures. Our results of operations are affected by the share of results of such parties.

During the Track Record Period, we invested in a joint venture and associates, which were accounted for using the equity method. As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amount of interests in associates was RMB75.1 million, RMB130.3 million, RMB191.0 million and RMB187.7 million, respectively and the carrying amount of interest in a joint venture was nil, nil, RMB128.2 million and RMB120.3 million, respectively. The success of our joint venture and associate companies largely depends on the overall economy and the development of fuel cell vehicle industry, which we cannot predict. If the fuel cell vehicle market deteriorates or any unforeseen or adverse changes occur, the share of results of our strategic associates and joint ventures may decrease, our results of operations and financial condition may be adversely affected.

In addition, we are subject to liquidity risk associated with investments in associates and a joint venture, especially when no dividend is declared by such parties and investment in these vehicles is not as liquid as other investment products. Acquisition of any large target or large investment in a joint venture would require significant financial resources, resulting in significant cash outflow, increased debt financing, or both. Dividends from associates or joint ventures are an integral part of our cash flow without which may adversely affect our results of operations and financial condition. Even if our associates are profitable and we recognize profits through share of results of associates under equity accounting, we may not receive any cash flow from the associates or joint venture until and unless we receive dividends from them, the decision of which is not within our control. We can neither assure you that our associates and joint ventures will be profitable, nor that they will declare dividends if they are profitable. As such, we may not be able to readily generate any cash flow from our investment in associates and joint venture to fund our operations from time to time, or at all.

We are exposed to fair value changes of equity instruments at fair value through other comprehensive income and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain.

During the Track Record Period, we made long-term investment in an unlisted company, Hozonauto Co. Ltd and held 3.23%, 1.93%, 1.19% and 1.19% of its equity interest as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. We classified this unlisted equity investments as equity investments at fair value through other comprehensive income (the "**FVTOCI**"). The fair value of such investment amounted to RMB62.1 million, RMB62.1 million, RMB170.9 million and RMB218.8 million as of each relevant date. We are exposed to the risk of fluctuation of the fair value of such equity instruments. Though we saw an increase in the balance from 2020 to 2022, primarily due to the increase in net assets value of Hozonauto Co. Ltd and the recovery in market conditions at the relevant time, we cannot assure you that the net assets value of the unlisted company will increase continuously or the market conditions will keep flourishing. We may incur fair value losses on our investments in Hozonauto Co. Ltd. If we incur such fair value losses, our financial condition and results of operations may be adversely affected.

The fair value of our unlisted equity investments has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer, using Guideline Public Company Method under market approach, which requires judgment and assumptions and involves the use of unobservable input, such as the price-to-book value and discount for lack of marketability. Changes in the basis and assumptions used in the estimation could materially affect the fair value of our unlisted equity investments. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgment and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

We are exposed to fair value changes for financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain.

During the Track Record Period, we purchased financial assets at fair value through profit or loss ("**FVTPL**"), which represented unlisted equity investment in TL Chemical and wealth management products that have a stated maturity ranged from 90 days to 273 days issued by various commercial banks in China. As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Group's unlisted equity investments classified as non-current financial assets at FVTPL amounting to nil, nil, RMB2.8 million and RMB2.8 million, respectively, and the Group's investments in wealth management products classified as financial assets at FVTPL amounting to nil, RMB50.0 million, RMB222.2 million and RMB374.1 million, respectively. The net changes in the fair value of such financial assets are recorded as our operating income or loss, and therefore directly affect our results of operations.

The fair value of our unlisted equity investment has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer, using Guideline Public Company Method under market approach, which requires judgment and assumptions and involves the use of unobservable input, such as the price-to-earnings ratio and discount for lack of marketability. Besides, the fair value of our wealth management products is determined by the spot rate quoted by the issuers of the financial products. Changes in the basis and assumptions used in the estimation could materially affect the fair value of our financial assets. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgment and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

Our financial condition, results of operations and business may be adversely affected if we are unable to enhance our production capacity as expected or if there are any problems or delays in the production expansion plan.

We believe that our future success, in part, depends on our ability to enhance our production capacity, which includes increasing our production utilization rate, improving our production efficiency, acquiring and upgrading equipment and production facilities and upgrading our existing production processes. In order to further develop our business and expand the production capacity, we plan to utilize our internal resources to invest and potentially acquire and ally continue to expand our existing production capacity including expanding production lines at our Shanghai Plant and purchasing additional production equipment and machinery. The implementation of the expansion plan of our Shanghai Plant and its future operation are subject to a number of uncertainties including, among other things, availability of funding, progress of the construction and the installation of production equipment, as well as the hiring and retention of qualified employees. Any government policy change affecting investments in fuel cell vehicle industry in general may also have an impact on our expansion plan. We cannot assure you that our Shanghai Plant will be able to upgrade in accordance with our plan. If we experience any issues or delays in meeting our projected timelines, maintaining sufficient funding and capital efficiency, increasing production capacity or generating sufficient demand for our increased production capacity, our business, prospects, results of operations and financial condition could be adversely impacted.

Furthermore, our efforts to enhance our production capacity may not achieve the expected benefits. We cannot assure you that the demand for our products will continue to increase, or remain at the current levels, which is affected by various factors beyond our control, including underlying economic conditions and market competitiveness. If the demand for our products is weaker than anticipated, we may experience problems associated with overcapacity and under-utilization of headcounts and other resources, which may have an adverse effect on our financial condition, results of operations and business as well.

We may not be able to adequately protect our intellectual property, which could cause us to be less competitive. Intellectual property infringement claims or other allegations by third parties and third-party infringements of our intellectual property rights may adversely affect our business.

We rely on a combination of invention patent, utility model, design patent, trademark and trade secret laws and restrictions and confidentiality agreements on disclosure to protect our intellectual property rights. As of June 30, 2022, we had over 590 patents, more than 820 pending patent applications, 32 registered trademarks and eight domain names in China. Despite our efforts to protect our proprietary intellectual property rights, third parties may attempt to copy or otherwise obtain or use our intellectual property, including seeking court declarations that they do not infringe upon our intellectual property rights.

Monitoring unauthorized use of our intellectual property is difficult and costly, and the steps we have taken may not be able to fully prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and inversion of our resources, and thus may adversely affect our business.

Furthermore, companies in the manufacturing and technology industries are frequently involved in litigation related to allegations of infringement of intellectual property rights, unfair competition and other violations of other parties' rights, especially during the application for the registration with competent government authorities of intellectual property rights and trademarks. While we have not been subject to any intellectual property infringement claims in the past, we may in the future be subject to intellectual property claims or other allegations by third parties for the products and services we provide. We may face allegations that we have infringed the invention patents, utility models and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair trade practices. Any resulting liability or expenses occurred from the intellectual property claims, or changes required to our products to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

In addition, certain of our patents are developed and owned together with other parties, the transfer or licensing of which may be subject to co-owners' consent and have limitations according to patents development agreements. See "Business — Intellectual Property Rights". Our business development may be adversely affected if we fail to obtain such consent.

In addition, as our patents may expire and may not be extended and our patent rights may be contested, circumvented, invalidated or limited in scope, our patent rights may not protect us effectively. In particular, as the fuel cell industry develops and fuel cell products become more popular and common in the market, we may not be able to prevent others from developing competing technologies, adopting technological advancements, or exploiting our competitive fuel cell technologies derived from our research and development, which could adversely affect our leading R&D position in the industry and make our products less competitive, and therefore our business operations, financial condition and results of operations could be materially and negatively affected.

We may not be able to retain our senior management and key research and development personnel or attract qualified and experienced employees to join us.

Our business success depends on the continued contributions of our senior management, including Mr. Zhang, our founder and the chairman of the Board with years of valuable industry experience, and Mr. Li Feiqiang, our deputy general manager who has been engaged in the research of fuel cell systems and its key technologies for over a decade. The loss of the services of any such executives, senior management and other key employees could hurt our business and the ability to implement our business strategy. In addition, our research and development also depend on our ability to attract and retain qualified personnels. Excellent technical talents in the industry are scarce and are in high demand, and we face fierce competition to attract such talents from other competitors in China or even around the world. Our competitors may offer better compensation packages to recruit the professional and technical people that we want. As a result, we may not be able to attract and retain the qualified people needed to sustain the growth of our current or planned business, or our employee expenses may increase significantly. We may also need to offer higher salaries and other benefits to attract and retain future talent, which may lead to increased human resource costs and decreased profitability. Our failure to attract and retain talented and qualified senior management and other key technological personnels could have a negative impact on our ability to effectively manage and grow our business and maintain a competitive position. If any of the above events occurs, our business, financial condition and results of operations could be adversely affected.

Any labor shortages, increased labor cost or other factors affecting our labor force may adversely affect our business, profitability and reputation.

The overall economy and the average wage in China have increased in recent years and are expected to grow. The average wage level for our employees has also increased in recent years. In 2019, 2020, 2021 and the six months ended June 30, 2022, our employee benefit expense amounted to approximately RMB97.4 million, RMB90.0 million, RMB138.9 million and RMB96.8 million, respectively. To sustain the growth of our business, we may need to increase our workforce of experienced management and skilled personnels to implement our expansion plans, and conduct our R&D projects to facilitate our future strategies. Any labor shortage, suspension or slowdowns at our production bases may significantly disrupt our business operations or delay our expansion plan. We may have difficulties in hiring or retaining sufficient and qualified employees. Given the recent economic growth in China, competition for qualified personnels, such as research and development experts and engineers, is substantial and labor costs have been increasing generally, and we anticipate there will be an upward pressure on our labor costs and employees' salaries and benefits in the foreseeable future. We cannot assure you that we can retain and attract sufficient qualified employees on commercially reasonable terms, or at all. Any failure to attract qualified personnels at reasonable cost and in a timely manner could reduce our competitive advantages relative to our competitors, undermining our ability to expand our growth in revenue and profits. Increases in our labor costs and future disputes with our workers could adversely affect our business, financial condition or results of operations.

Any unexpected disruption at our production facilities could materially and adversely affect our business, financial condition and results of operations.

Our ability to meet the demand of our customers and grow our business relies on the efficient, proper and uninterrupted operation of our production plan and a constant and sufficient supply of utilities. Although we have not experienced any material disruption in our production, or damage to our production equipment and facilities during the Track Record Period, in the event of earthquake, fire, drought, flood or other natural disaster, political instability, riot or civil unrest, extended outage of critical utilities or transportation systems, terrorist attack or other events that limit or disrupt our ability to operate our production facilities, we may experience substantial losses, including loss of revenue from disrupted production. We may also need to incur substantial additional expenses, exceeding our insurance coverage to repair or replace any damaged equipment or facility. In addition, our ability to manufacture and supply products and our ability to meet our delivery obligations to our customers would be significantly disrupted and our relationships with our customers could be damaged, which could have a material and adverse effect on our business, financial condition and results of operations.

If we are unable to manage our inventory risks efficiently or the proportions and amount of our provision for inventories further increase, our financial condition and results of operations may be adversely affected.

We had inventories of RMB204.7 million, RMB172.6 million, RMB260.4 million and RMB295.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Our inventories mainly consist of raw materials, work in progress and finished goods. We cannot assure you that our inventories will not be damaged or impaired, as our storage may encounter unforeseeable events. As such, failure to manage our inventories effectively may adversely affect our financial condition and results of operations. The demand for our fuel cell systems depends on their market conditions as well as the performance of downstream vehicle manufacturers, which are beyond our control. We maintain an adequate stock of various models of fuel cell systems. Therefore, any unexpected change in the economic condition or the performance of our customers may render our inventory obsolete. In addition, our inventories are subject to impairment if their net realizable value falls before we sell them. During the Track Record Period, we made provisions for the decline in value of inventories based on the excess of carrying value of inventory over its net realizable value. In 2019, 2020, 2021 and the six months ended June 30, 2022, our provision for inventories were RMB9.7 million, RMB15.9 million, RMB47.1 million and RMB27.6 million respectively. Such increasing trend is mainly attributable to our inventory of fuel cell systems with lower power output, i.e. less than 80kW, which are more prone to impairment than those with higher power output, i.e. 80kW or higher, in light of the growing market focus on higher power output products. As of December 31, 2019, 2020, 2021 and June 30, 2022, the amount of inventories of fuel cell systems with less than 80kW was RMB45.7 million, RMB44.9 million, RMB48.9 million and RMB43.2 million, respectively, and their subsequent usage as of October 31, 2022 was RMB14.6 million, RMB3.8 million, RMB0.4 million and nil, respectively. With the development of fuel cell system market and according to our business scale expansion, aging of inventory balance, adjustment of subsidy policy and upgrading and iteration of our products, the amount and proportion of our provision of the inventories may further increase, which may have an adverse impact on our financial and results of operations.

Our fuel cell systems with lower power output may be easily replaced by the new models with higher power output, which may adversely affect our financial condition and results of operations.

During the Track Record Period, we offered a variety of models of fuel cell systems ranging from 30kW model to 240kW model to meet different customers' needs. There have been R&D breakthroughs almost every year, as demonstrated by the launch of new models of fuel cell systems during the Track Record Period, for instance 60kW model in 2019, 80kW model in 2020, and 150kW model in 2021. Due to the rapid technology development, the old models with lower power output (i.e. less than 80kW) would easily be replaced by new models with higher power output (i.e. 80kW or higher). In 2021 and 2022, a majority of the market demand has been for the newer models of higher power output because these products are applicable to heavy-duty transportation with a high demand recently, including buses, trucks and heavy-duty transportation. This is demonstrated by the fact that over 98% of and all the fuel cell systems sold by us in 2021 and the first half of 2022 were models with higher power output.

With the rapid technology development, expected decreasing trend of the average selling price per kW and the rising market demand for fuel cell systems with higher power output, the market demand and net realizable value of the inventories for the fuel cell systems with lower power output would continue to decrease. During the Track Record Period, we made provisions for the decline in value of inventories based on the excess of carrying value of inventory over its net realizable value. We cannot assure that we can effectively manage our inventories. Failure to manage our inventories may further increase the amount and proportion of our provision of the inventories, which may have an adverse impact on our financial condition and results of operations.

Significant impairment charges to our balance of intangible assets could materially and adversely impact our financial position and results of operations.

Our intangible assets primarily consist of patent, software and development costs. Our intangible assets amounted to RMB73.1 million, RMB136.8 million, RMB205.1 million and RMB212.1 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. We test finite-lived intangible assets for impairment if impairment indicators arise. The indefinite-lived intangible assets are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Although we recorded no impairment of intangible assets in 2019, 2020 and 2021 and the six months ended June 30, 2022, any significant impairment losses charged against our intangible assets could have a material adverse effect on our business, financial condition and results of operations.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial condition in the future.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, our deferred tax assets amounted to RMB23.9 million, RMB46.0 million, RMB70.6 million and RMB74.2 million, respectively. Deferred tax assets arise from the deductible temporary differences between the carrying amounts of assets and liabilities from financial reporting purposes and their tax base, as well as unused tax losses and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgment on the tax treatment of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee that the recoverability of our deferred tax assets, and to what extent they may affect our financial condition in the future.

We may be subject to impairment losses risks in relation to prepayments, deposits, and other receivables.

Our prepayments, deposits and other receivables primarily consist of (i) prepayments, (ii) value added tax recoverables, (iii) amount due from an associate, (iv) deposits, and (v) other receivables. Our prepayments, deposits and other receivables balances as at December 31, 2019, 2020 and 2021 and June 30, 2022 were RMB121.7 million, RMB112.2 million, RMB140.2 million and RMB158.6 million, respectively. We measure impairment of other receivables as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions. Therefore, there is uncertainty on the prediction of the movement of impairment of prepayments, deposits and other receivables. Significant impairment losses on prepayments, deposits and other receivables may have a material adverse effect on our financial condition and results of operations.

Our results of operations may fluctuate from period to period due to the non-recurring nature of compensation, gain on disposal of interests in associates, gain on deemed disposal of a subsidiary and gain on deemed disposals of interests in associates.

During the Track Record Period, our Group recognized non-recurring gains including compensation of RMB20.0 million, nil, nil and nil, gain on deemed disposal of a subsidiary of RMB63.5 million, nil, nil and nil, and gain on deemed disposals of interests in associates of nil, RMB22.4 million, RMB16.3 million and nil. See "Financial information — Key Components of Our Results of Operations — Other income, Gains and Losses". Due to the non-recurring nature, we cannot assure you that we will be able to record compensation, gain on deemed disposal of a subsidiary and gain on deemed disposals of interests in associates in the future. As a result, our results of operations may fluctuate from period to period and our historical results are not necessarily indicative of results in the future.

We may be subject to claims, especially of product liability, disputes, lawsuits and other legal and administrative proceedings, which may result in significant direct or indirect costs and adversely affect our results of operations, financial condition and development prospects.

Although we implement full-cycle quality control over design, procurement, production, sales and after-sales services, we cannot assure you that our quality control measures will be as effective as we expect. We may face the risk of significant monetary exposure to claims if we fail to implement and maintain our quality control steps and our products do not perform as expected or contain design, manufacturing, or warning defects, or are in connection with malfunctions. Our risks in this area are particularly pronounced given the limited field experience of our products and fuel cell vehicles. A successful product liability claim against us could require us to pay a substantial monetary award. Certain product liability claims may be the result of defects from components and parts purchased from our suppliers. Such suppliers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. Moreover, a product liability claim could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of other future new products, which would have a material adverse effect on our brand, business, prospects, financial condition, results of operations, and cash flows. Any lawsuit seeking significant monetary damages either in excess of our insurance coverage, or outside of our insurance scope, may have a material adverse effect on our reputation and business, prospects, financial condition, results of operations, and cash flows.

In addition, we may from time to time be involved in contractual disputes or legal and administrative proceedings and claims arising out of the ordinary course of business or pursuant to governmental or regulatory enforcement activity. In light of the nature of our business, we and our management are susceptible to potential claims or disputes. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to or involved in any claims, disputes, lawsuits and other legal and administrative proceedings of material importance, but we cannot assure there will not be any in the future. Lawsuits and litigations may cause us to incur defense costs, utilize a significant portion of our resources and divert management's attention from our day-to-day operations, any of which could harm our business. Claims arising out of actual or alleged violations of law, breach of contract or torts could be asserted against us by customers, business partners, suppliers, competitors, employees or governmental entities in investigations and legal proceedings. Our insurance might not cover claims brought against us. See "— Risks Relating to Our Business — We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs". A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have an adverse effect on our business, financial condition and results of operations.

Our business strategies require a significant amount of capital. If we fail to obtain sufficient financing to support our business development, our business operation, financial condition, and prospects may be materially and adversely affected.

Our business and future strategy are capital intensive and require substantial investments in, among other things, research and development, increasing the production capability and products promotion and marketing. As we increase our production capacity and operations, we may also require significant capital to maintain our property, plant and equipment and such costs may be greater than anticipated. We expect that our level of capital expenditures will be significantly affected by user demand for our products. Our future capital requirements may be uncertain and actual capital requirements may be different from those we currently anticipate. We may seek equity or debt financing to finance a portion of our capital expenditures. If we fail to obtain sufficient capital in a timely manner or on acceptable terms, or at all, we may be required to significantly reduce our spending, delay or cancel our planned activities, or substantially change our corporate strategy, which may materially and adversely affect our business, financial condition, and prospects.

In addition, our future capital needs and other business reasons could require us to issue additional equity or debt securities or obtain a credit facility. The issuance of additional equity or equity-linked securities could dilute our shareholders. The incurrence of indebtedness would result in an increase in debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

Our product production and business operation processes, as well as the fuel cell vehicles carrying our products, which use hydrogen, an inherently dangerous and flammable fuel and may cause safety accidents on rare occasions.

Fuel cell vehicles use hydrogen as fuel, which is a flammable fuel that could leak or combust if ignited by fire. Our product production and business operation processes involve hydrogen fueling and storage. On rare occasions, a fuel cell vehicle or hydrogen tank may catch fire or explode by accident. We cannot assure you that the fuel cell vehicles will always function safely. If any safety accident occurs to fuel cell vehicles produced by any of our customers or during our business operation, we could be subject to reputational damage, claims or even lawsuits, all of which would be time consuming and expensive. Also, negative public perceptions regarding the suitability of fuel cells applications for automotive or any future negative incidents involving fuel cell vehicles, such as fire or explosion of hydrogen refueling stations, even if our products are not involved in such incident, could seriously harm customers' confidence and future demand in our products.

Our warranty provisions may not be sufficient to fully cover future warranty claims, which could materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

Our major product, fuel cell systems, is made up of a large number of engineered parts and components, and its quality warranties are mainly for repairing or replacing faulty parts. We have been maintaining warranty provisions to cover warranty-related claims. Our warranty provisions were RMB12.9 million, RMB19.9 million, RMB28.7 million and RMB31.2 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. If our warranty provisions are inadequate to cover future warranty claims on our products, our financial condition, results of operations, and cash flows could be materially and adversely affected. We expect to record and adjust warranty provisions based on changes in estimated costs and actual warranty costs. However, since the fuel cell vehicle industry in China is at its early stage, and there is a general lack of historical data and experience for the return rate of the defective components, we have limited operating experience with warranty claims for our products or with estimating warranty provisions. In the future, we may be subject to significant and unexpected warranty expenses. We cannot assure you that the then-existing warranty provisions will be sufficient to cover all claims.

We cannot assure you that we will continue to receive preferential tax treatment by the PRC government in the future.

We enjoy certain preferential tax treatment under relevant preferential tax policies, allowing us to have a lower tax rate. During the Track Record Period, we and certain of our subsidiaries, Shanghai SinoFuelCell and SinoHytec Power, have been qualified as High and New Technology Enterprise and have enjoyed a preferential enterprise income tax rate of 15%; and another subsidiary, Chengdu Guoqinghuatong Technology Co., Ltd., has been qualified as an Encouraged Industrial Enterprise in the Western Region in 2020 and has enjoyed a preferential enterprise income tax rate of 15%. See note 12 to the Accountants' Report set out in the Appendix I to this prospectus and "Financial Information — Key Components of Our Results of Operations — Income Tax Credit" for further details. We plan to apply for the extension of such preferential tax treatment before expiration. However, there cannot be any assurance that we will be granted such extension, and, if we are not, it would result in an increase of our effective income tax rate. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to us, or increases in the tax rate, our tax liability would increase correspondingly. In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainties resulting therefrom, could have an adverse effect on our results of operations.

The unavailability, reduction or elimination of government grants which we are currently entitled to could have an adverse effect on our business, financial condition, results of operations and prospects.

We mainly focus our business in cities and provinces such as Beijing, Shanghai, Hebei, Sichuan, Jiangsu, Shandong and Henan, where fuel cell vehicle supporting policies have been released. We have received industry-specific subsidies granted by local governments during the Track Record Period. For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, we received government grants of RMB15.7 million, RMB19.5 million, RMB14.7 million and RMB11.9 million, respectively, which were intended to support our business and reward our efforts in technological innovation.

The industry-specific subsidies are mainly non-recurring subsidies provided by local governments supporting various industry-related research and development activities. Such government grants may be discretionary and are subject to certain selection criteria and procedures stipulated by the local governments, which we may not be qualified for in the future. In addition, local governments may switch the focus of their support of research and development activities and fixed assets investments to other industries over time. These factors, such as government's focus on industries and criteria for government grants, are beyond our control. We can neither assure you that any changes would be favorable to our business, nor that we will be able to receive any such government grants in the future. If we do not receive government grants in subsequent periods after the Track Record Period or if the amount of government grants we are entitled to decreases, our financial condition for such periods may be adversely affected.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs.

The insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. We maintain certain insurance policies to cover potential property loss, physical injuries or medical expenses involving third parties that occur on our premises. We consider our insurance coverage to be in line with what we believe to be customary in our industry. However, we cannot assure you that our insurance coverage in terms of amount, scope and benefit is sufficient. Any uninsured risks and liabilities such as damages to or loss of properties may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition. Such risks include, among others, loss of key management and personnel, business interruption, litigation or legal proceedings, natural disasters such as epidemics, pandemics or earthquakes, terrorist attacks and social instability or any other events beyond our control. Our business, financial condition and results of operations may be materially and adversely affected as a result.

We are subject to potential adverse consequences due to our lack of valid certificates and permits in respect of certain properties we leased in China.

We lease a number of properties for our factories, warehouse and offices across China during the Track Record Period. The lessor of certain property we leased have not obtained or provided the property ownership certificates. We may need to find alternative premises if these properties are subject to demolition due to ownership defects, default by the lessor or adjustment of the government provisions in the future. As such, our usage of such leased properties may be disrupted therefore we may need to relocate the relevant functions somewhere else and additional relocation costs will be incurred.

In addition, certain of our lease agreements have not been registered with the relevant PRC government authorities as of the Latest Practicable Date. Any non-registration of lease agreements may result in the relevant PRC government authorities ordering rectification of the defect within a prescribed time limit and, if the relevant entity still fails to register the relevant lease agreements, we may be subject to a maximum penalty of RMB170,000 for non-compliance of lease registration for 17 of our leased properties. Even if certain properties we leased have property titleship and the lease agreements are properly registered, we cannot assure you that we would be able to renew the relevant lease agreements without substantial additional cost or increase in the rental cost payable by us. If a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and results of operations may be adversely affected.

Non-compliance with various environmental and safety related laws and regulations in China may increase our operating costs and cause delays in the construction of our manufacturing facilities, resulting in monetary damages, fines and other liabilities as well as negative publicity and damage to our brand name and reputation.

We are subject to national and local environmental protection and safety related laws and regulations applicable to us in China. In the event of our non-compliance with present or future environmental and safety related laws and regulations, we may be subject to governmental inspections or penalties, civil liabilities or business interruptions, and our management might be subject to relevant liabilities as well. Our operations generate waste gas, waste water, noise and solid waste, which could potentially be harmful to the environment and health of local residents as well as our employees in case of improper handling. We have set environmental targets for our manufacturing facility with indicators including pollutant discharge standards for waste gas, waste water, noise and solid waste disposals. See "Business — Environmental, Social and Governance ("**ESG**")".

In addition, from time to time, the PRC government issues new regulations, which may require additional actions on our part to comply with. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to various consequences, including substantial fines, potentially monetary damages or suspensions of our business operations. As a result, any failure by us to control the discharge of hazardous substances could have an adverse impact on our business, financial condition and results of operations.

Any actual or alleged failure to comply with the cybersecurity and data privacy laws and regulations in China may result in penalties that could damage our reputation and brand, and harm our business and results of operations.

We are subject to various regulatory requirements relating to cybersecurity and data privacy, including, without limitation the Several Provisions on Automobile Data Security Management (Trial Implementation) (汽車數據安全管理若干規定(試行)) and the Regulation on the Administration of Network Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》). See "Regulatory Overview — Regulations on Internet Information Security and Privacy Protection". Pursuant to these laws and regulations, a service provider shall obtain the consent of the persons whose data is gathered when collecting and using personal information and shall comply with other circumstances as prescribed by laws and regulations. We are required by these laws and regulations to ensure that the vehicle data is processed in a lawful, legitimate, specific and clear manner, and be directly related to the design, production, sales, use, operation and maintenance, among others, of the vehicles. We are not a critical information infrastructure operator and do not collect or track any personal information of vehicle users. Instead, we only collect and store limited system operating data from our fuel cell systems, such as temperature, voltage and air pressure, for repair and maintenance purposes. We may incur further expenses to comply with laws and regulations relating to data privacy, data security and consumer protection, as well as relevant industry standards and contractual obligations.

In addition, regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. We cannot assure you that relevant governmental authorities will not interpret or implement the laws or regulations in ways that negatively affect us. We may also become subject to additional or new laws and regulations regarding the protection of personal information or privacy-related matters in connection with our methods for data collection, analysis, storage and use. If we are unable to comply with the applicable laws and regulations or effectively address data privacy and protection concerns, such actual or alleged failure could damage our reputation, discourage customers from purchasing our products and subject us to significant legal liabilities.

COVID-19 had and may continue to have an adverse impact on our business operations and we are subject to other risks beyond our control.

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand globally, which has caused significant impact on the global economy. Since late July 2021, the Delta variant of COVID-19 has recurred in several provinces across China. In an effort to halt the outbreak in China, the PRC government took many measures such as city lockdowns, travel restrictions, quarantines and business shutdowns, and governments outside of China have halted or sharply curtailed the transit of people, goods and services to and from China. The COVID-19 outbreak has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China, which may have an indirect impact on our industry and cause temporary suspension of projects and shortage of labor and raw materials. For example, as many workers of vehicle manufacturers and upstream suppliers had delayed returning to work and the flow of population had been restricted, we faced the difficulties such as delays in business communication with customers and the delayed delivery and acceptance of goods. In addition, due to restricted logistics control, part of the equipment, raw materials and components and parts that we ordered from suppliers are difficult to deliver. Our delivery of products may also be disrupted and our customers may cancel their orders due to potential delays in delivery. The longer supply cycle may also have an adverse impact on our operations and production.

We are uncertain as to when the COVID-19 outbreak will be contained globally and we also cannot predict whether COVID-19 will suddenly break out again. Our operations and production could be disrupted if any of our employees or employees of our suppliers and other business partners were suspected of contracting or contracted COVID-19, since this could require us and our suppliers and other business partners to quarantine some or all of these employees and disinfect facilities used for operations. We cannot assure you that the COVID-19 pandemic can be eliminated or contained in the near future, or at all, or a similar outbreak will not occur again. Another wave of COVID-19 or a similar pandemic could materially and adversely affect our business, financial condition, and results of operations.

Furthermore, natural disasters, acts of terrorism, wars or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in markets where we have, or plan to have, business operations. Some of these markets are situated in geographic regions of the PRC that are affected by or susceptible to the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, power shortages or failures, as well as potential wars, terrorist attacks or epidemics such as Ebola, and severe acute respiratory syndrome (SARS). Serious natural disasters may result in a tremendous loss of lives, injuries and the destruction of assets, as well as disruptions to our business operations. Acts of terrorism or wars may also injure our employees, cause loss of life, disrupt our business operations and adversely affect the financial well-being of our customers. Any of these and other factors beyond our control may materially and adversely impact our business, results of operations and financial position.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Economic, political and social conditions in China and PRC government policies could affect our results of operations, financial condition and prospects.

We are headquartered in Beijing, China and conduct our business operations primarily in China. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, control of foreign exchange and allocation of resources, among other factors. The PRC government has implemented various measures to encourage, but also to control, economic growth and to direct the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our business, financial condition and results of operations may be adversely affected by changes in the fuel cell vehicle industry or tax regulations. These measures may reduce activities in the fuel cell vehicle industry and general economic activities in China, which in turn could adversely affect our business, financial condition, results of operations.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social and regulatory developments, and many of these risks are beyond our control. There can be no assurance that we will not be adversely affected by current or future government measures or reform policies or the PRC government's continuing influence on business and the economy in China.

Shortage of utilities supplies in China could affect our business.

Our production and operations depend on a continuous and adequate supply of utilities, such as electricity and water, the use of which will further increase substantially as we expand our production capacity. Any disruption in the supply of electricity and water or other utilities at our production plants may disrupt our production. This may adversely affect our ability to fulfill our sales orders and consequently may have an adverse effect on our business, results of operations and financial condition. As a result of the shortage of coal supply combined with high electricity demand from manufacturers, since September 2021, the PRC government has restricted electricity consumption of companies in industries with high energy consumption in China at regular intervals, including imposing power restrictions on factories in more than 20 provinces to deal with an imbalance in energy supply and demand. We had not experienced any shortages or price fluctuations of raw materials, water and electricity at our production facilities in China during the Track Record Period and up to the Latest Practicable Date. If such shortages or suspensions of utilities happen for a significant period of time, our business, results of operations and financial results may be materially and adversely affected.

Insufficient protection of intellectual property rights and changes in the PRC legal system could have an adverse effect on us.

Intellectual property rights are critical to our business operation and we have obtained or applied for patents, invention models and trademarks on various products and technologies as set out in Appendix VI "Statutory and General Information". See "— Risks relating to our business — We may not be able to adequately protect our intellectual property, which could cause us to be less competitive. Intellectual property infringement claims or other allegations by third parties and third-party infringements of our intellectual property rights may adversely affect our business".

The PRC government has developed a comprehensive system of laws, rules and regulations in relation to protection of intellectual property rights. However, the interpretation and enforcement of these laws, rules and regulations involve various uncertainties, and their consistency and predictability may adversely affect our business development.

The PRC government's control of currency conversion may limit our ability to use capital effectively.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

Inflation in China could negatively affect our profitability and growth.

The economy of China has experienced continuous growth and such growth has become uneven among various sectors of the economy and in different geographical areas of the country. PRC overall economy and the average wage in China are expected to continue to grow. Rapid economic growth may lead to growth in the money supply and accordingly inflation. If the amounts we charge our customers in China go up at a rate that is insufficient to compensate for the rise in our costs, our businesses may be materially and adversely affected.

The PRC legal system involves uncertainties that could limit the legal protections available to investors and our Company.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited precedential value. In late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing general economic matters. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign investment in China. However, China has not developed a fully-integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Furthermore, as some of these laws and regulations are relatively new, and because of the limited volume of published court decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as those in other jurisdictions.

Our business and operations are primarily conducted in China and are governed by PRC laws, rules and regulations. Our Group is generally subject to laws, rules and regulations applicable to foreign investments in China. These laws and regulations change frequently, and their interpretation and enforcement involve uncertainties. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other government authorities, thus making strict compliance with all regulatory requirements impractical or, in some circumstances, impossible. Furthermore, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. These uncertainties may also impede our ability to enforce the contracts we have entered into. These uncertainties, together with any development or interpretation of the PRC law unfavorable to us, could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

It may be difficult to effect service of legal process and enforcing judgments against us or our Directors, Supervisors and senior management in China or to enforce judgments of non-PRC courts against them.

We are a company incorporated under the laws of the PRC and a significant portion of our assets and subsidiaries are located in China. In addition, the majority of our Directors, Supervisors and senior management reside within China. The assets of these Directors, Supervisors and senior management also may be located within China. As a result, it may not be possible to effect service of process upon most of our Directors, Supervisors and senior management outside China. Moreover, China does not have treaties providing for reciprocal recognition and enforcement of court judgments in most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the U.S. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from other jurisdictions may be difficult or uncertain.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into such a choice of court agreement in writing. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not entered into a jurisdiction agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**") was signed between the Supreme People's Court of China and Hong Kong government.

Comparing with the 2006 Arrangement, the 2019 Arrangement establishes a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and China in civil and commercial matters under both Hong Kong and PRC law. The 2019 Arrangement will apply to judgments made by the courts of Hong Kong and China on or after its commencement date, which will be announced by Hong Kong and China after necessary procedures of both places have been completed. The 2006 Arrangement will be superseded upon the effective date of the 2019 Arrangement. However, the 2006 Arrangement will remain applicable to a "jurisdiction agreement in writing" as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

We are a PRC enterprise and we are subject to PRC tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.

Non-PRC-resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the ITT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the non-PRC-resident individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家税務總局關於個人所得税若干政策問題的通知》) (Cai Shui [1994] No. 20) issued by the MOF and SAT on May 13, 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprise are exempted from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cease foreign individuals' tax exemption for dividends obtained from foreign invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT. Considering these uncertainties, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) (Cai Shui [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, gains realized by individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-PRC-resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, we cannot assure you that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC-resident individual holders on gains from the sale of H Shares. For non-PRC-resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law and its implementation regulations, dividends paid by us (including payments via

CCASS) and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate unless otherwise reduced or exempted by relevant tax treaties or similar arrangement. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC-resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends of the year of 2008 and onwards payable to non-PRC-resident enterprise holders of H Shares will be 10%. Non-PRC-resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. Despite the arrangements mentioned above, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities and the PRC tax laws and regulations may also change, which may adversely affect the value of your investment in our H Shares.

Any catastrophe, including outbreaks of health pandemics and other extraordinary events in China, could severely disrupt our business operations.

Our operations are vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, tsunami, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), health pandemics, environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks, and similar events. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophe or extraordinary event were to occur in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our products to our customers and could decrease demand for our products. Since 2003, there have been several outbreaks of avian influenza, or the bird flu spreading from China to certain parts of Africa and Europe. Since December 2019, the COVID-19 has severely impacted China and many other countries. See "— Risks Relating to Our Business — COVID-19 had and may continue to have an adverse impact on our business operations and we are subject to other risks beyond our control".

RISKS RELATING TO THE GLOBAL OFFERING

Our A Shares were listed and traded on the SSE STAR Market since 2020 and the characteristics of the A share and H share markets may differ.

Following the Global Offering, our A Shares will continue to be traded on the SSE STAR Market and our H Shares will be traded on the Hong Kong Stock Exchange. Without regulatory approval, our A Shares and H Shares are neither convertible into nor fungible with each other. The A share and H share markets have different characteristics, including different trading volumes and liquidity, different investor bases as well as different levels of retail and institutional investor participation. As a result, the trading price of our A Shares and H Shares may not be comparable. Fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the A share and the H share markets, the historical prices of our A shares may not be indicative of the performance of our H Shares. Moreover, fluctuations in the exchange rates between Hong Kong dollars and Renminbi can also adversely affect the trading prices of our A Shares and H Shares. Prospective investors should therefore not place undue reliance on the prior trading history of our A Shares when evaluating an investment in the H Shares.

There has been no prior public market for our H Shares, and their liquidity and market price following the Global Offering may be volatile.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of Global Offering. The initial Offer Price for our H Shares to the public will be the result of negotiations between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the H Shares following the Global Offering.

We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option). A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will not decline following the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

There will be a gap of several days between pricing and trading of our H Shares, and the price of our H Shares when trading begins could be lower than the Offer Price.

The initial price to the public of our H Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

During the Track Record Period, a vast majority of our expenditures were denominated in Renminbi, and a vast majority of our financial assets are also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our H Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including proceeds from the Global Offering, as Renminbi is the functional currency of our Company and our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Payment of dividends is subject to restrictions under the PRC law and we cannot assure you whether and when we will pay dividends.

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. The calculation of our distributable profits under the PRC GAAP differs in many aspects from the calculation under IFRS. Moreover, our operating subsidiaries in China may not have distributable profit as determined under the PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our operating subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

Our single largest Shareholder has significant influence over our Company and his interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering, our single largest Shareholder will hold approximately 15.8% of our Shares, assuming the Over-allotment Option is not exercised. Our single largest Shareholder will, through its voting power at the Shareholders' meetings, have significant influence over our business and affairs, including decisions for mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our single largest Shareholder may not act in the best interests of our minority Shareholders.

Facts, forecasts and statistics in this prospectus relating to the PRC, the global economy and fuel cell vehicle industry may not be fully reliable.

Facts, forecasts and statistics in this prospectus relating to the PRC, the global economy and the fuel cell vehicle industry in China and oversea markets are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by China Insights Consultancy that we commissioned. However, we cannot assure you the quality or reliability of these sources. Neither we, the Joint Sponsors, the Joint Global Coordinators, nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this prospectus relating to the PRC, the global economy and the fuel cell vehicle industry in China and oversea markets may be inaccurate and you should not place undue reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

Investors should not place any reliance on any information released by us in connection with our listing on the SSE STAR Market.

As a company listed on the SSE STAR Market, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time we publicly release information relating to our Group on the SSE STAR Market or other media outlets designated by the SSE STAR Market. However, the information we released in connection with our listing on the SSE STAR Market is based on the regulatory requirements and market practice in China which differ from those applicable to our Global Offering. Such information, except for such information that is incorporated by reference to this prospectus, does not and will not form a part of this prospectus. As a result, prospective investors of our H Shares are reminded that, they should rely only on the financial, operating and other information included in this prospectus in making their investment decisions. By applying to purchase H Shares in the Global Offering, investors will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

Investors should read the entire prospectus carefully and should not consider any statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

There had been, prior to the publication of this prospectus, and there may be, after the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We have not authorized the disclosure of any information concerning the Global Offering in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or in conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

The CSRC issued an approval letter on October 21, 2022 for the Global Offering and our application to list the H Shares on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus. No other approvals from the CSRC are required to be obtained for the listing of the H Shares on the Stock Exchange.

INFORMATION ON THE GLOBAL OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,762,800 H Shares and the International Offering of initially 15,865,200 H Shares (subject, in each, to reallocation on the basis as set out in "Structure of the Global Offering" in this prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization, see "Structure of the Global Offering".

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around Thursday, January 5, 2023 or such later date as may be agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and in any event no later than Friday, January 6, 2023. If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares outside Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. For further details on the Underwriters and the underwriting arrangements, see "Underwriting".

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Under section 44B(l) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the H Shares to be listed on the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in "How to Apply for Hong Kong Offer Shares" in this prospectus.

H SHARE REGISTER AND STAMP DUTY

All Offer Shares will be registered on the H Share register of our Company maintained by our H Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our register of members will also be maintained by us at our legal address in the PRC.

Dealings in the H Shares registered on the H Share register of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders listed on the H Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposing of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including our subsidiaries) have been included in this prospectus in both the Chinese and English languages. In the event that there is any inconsistency between the Chinese names of such laws and regulations, authorities, persons, entities or enterprises established in or relating to China mentioned in this prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Hong Kong dollars, Renminbi and U.S. dollars. Unless indicated otherwise, the translation of Hong Kong dollars into Renminbi, of U.S. dollars into Renminbi and of U.S. dollars into Hong Kong dollars, and vice versa, in this prospectus was made at the following rates:

- HK$1.1055 to RMB1.00 (being the most recent exchange rate available as of December 5, 2022).

- US$1.00 to RMB7.0384 (being the most recent exchange rate available as of December 5, 2022).

- US$1.00 to HK$7.7813 (being the most recent exchange rate available as of December 5, 2022).

No representation is made that any amounts in HK$, RMB or US$ can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

COMMENCEMENT OF DEALING IN THE H SHARES

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Thursday, January 12, 2023.

In preparation for the Global Offering, we have applied for waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules as set out below.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

However, our Company would not be able to satisfy the requirements under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules due to the following reasons:

(a) our Group's headquarters and principal place of business are located in the PRC, the business operations of our Group are substantially managed and conducted in the PRC and our Group does not have any substantial business activities or operations in Hong Kong;

(b) our executive Directors and members of our Group's senior management ordinarily reside in the PRC and are expected to continue to reside in the PRC, the principal base of our Group's operations;

(c) substantially all of our Group's assets are based in the PRC;

(d) for the purposes of the management and operations of our Group, the appointment of additional executive Directors who are ordinarily resident in Hong Kong will not only increase the administrative expenses of our Group, but will also reduce the effectiveness and responsiveness of our Board in making decisions for our Group, especially when business decisions are required to be made on a timely basis. In addition, appointing new executive Directors, who may not be familiar with the operations of our Group, to our Board for the sole purpose of satisfying the requirements of Rules 8.12 and 19A.15 of the Hong Kong Listing Rules may not be in the best interest of our Company and our Shareholders as a whole;

(e) if additional executive Directors who are ordinary residents of Hong Kong are appointed, they will not be able to fully understand the daily operations of the core business of our Group or fully appreciate the circumstances surrounding or affecting the core business operations and development of our Group from time to time, as they will not be physically present in the operation and management base of our Group in the PRC all the time. As such, such executive Directors may not be able to exercise their discretion on a fully informed basis, or make appropriate business decisions or judgments that are most beneficial to the operations and development of our Group; and

(f) each of the executive Directors has a vital role in the business and operations of our Group and it is of paramount importance for them to be based in the PRC and physically close to our Group's operations. To relocate any of the existing PRC-based executive Directors to Hong Kong for the sole purpose of satisfying the requirements of Rules 8.12 and 19A.15 of the Hong Kong Listing Rules will take time to process the application for residency in Hong Kong and the application will be unnecessarily burdensome and costly for our Company and may not be approved by the Listing Date. Since such executive Directors, after the relocation, will not be physically present at the operation and management base of our Group in the PRC all the time, they may encounter management difficulties.

Therefore, our Directors consider that the appointment of additional executive Directors who are ordinarily residents in Hong Kong or to relocate Directors who are currently based in the PRC to Hong Kong is not beneficial to or appropriate for our Group. Accordingly, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, subject to the following conditions. In order to maintain effective communication with the Hong Kong Stock Exchange, we will put in place the following measures between us and the Hong Kong Stock Exchange:

1. we have appointed Mr. Zhang, our executive Director, and Mr. Lau Kwok Yin ("**Mr. Lau**"), our joint company secretary as our authorized representatives (the "**Authorized Representatives**") pursuant to Rule 3.05 of the Hong Kong Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. Each of the Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

2. when the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the Authorized Representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number, fax number and email address) of each of our Authorized Representatives and Directors to facilitate communication with the Hong Kong Stock Exchange;

3. all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period of time upon request;

4. we have appointed Guotai Junan Capital as our compliance advisor (the "**Compliance Advisor**") upon Listing pursuant to Rule 3A.19 of the Hong Kong Listing Rules for a period commencing from the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. Pursuant to Rule 19A.05(2) of the Hong Kong Listing Rules, the Compliance Advisor will have access at all times to our Authorized Representatives, our Directors and other senior management and we shall also ensure that such persons will promptly provide such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A and Rule 19A.06 of the Hong Kong Listing Rules. The Compliance Advisor will also act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available pursuant to Rule 19A.06(4) of the Hong Kong Listing Rules; and

5. we shall ensure that there are adequate and efficient means of communication among our Company, our Authorized Representatives, our Directors, other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between us and the Hong Kong Stock Exchange.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Hong Kong Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. Note 1 to Rule 3.28 of the Hong Kong Listing Rules further provides that the Hong Kong Stock Exchange considers that the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider the following factors in assessing an individual's "relevant experience":

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Hong Kong Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Hong Kong Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Kang Zhi ("**Mr. Kang**") as one of the joint company secretaries with effect from the Listing Date. Mr. Kang, as secretary to the Board, is mainly responsible for corporate information disclosure of our Group. Given Mr. Kang's experience and he currently serves as the secretary to our Board, our Directors are of the view that, with Mr. Kang's thorough understanding of corporate governance matters of our Group, he is considered as a suitable person to act as a company secretary of our Company. In addition, as the core business and operations of our Group are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Mr. Kang as a company secretary whose presence in the headquarters of our Group enables him to attend to the day-to-day corporate secretarial matters concerning our Group. However, given Mr. Kang does not possess a qualification stipulated in Rule 3.28 of the Hong Kong Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Hong Kong Listing Rules. While Mr. Kang may not be able to solely fulfill the requirements of the Hong Kong Listing Rules, our Company believes that it would be in the best interests of our Company and the corporate governance of our Company to appoint Mr. Kang as one of our joint company secretaries due to his thorough understanding of the internal administration and business operations of our Group. In order to provide assistance to Mr. Kang and to enable Mr. Kang to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Hong Kong Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Hong Kong Listing Rules, we have also appointed Mr. Lau, a member of the Hong Kong Institute of Certified Public Accountants, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Hong Kong Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Kang for an initial period of three years from the Listing Date.

Since Mr. Kang does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Hong Kong Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Hong Kong Listing Rules such that Mr. Kang may be appointed as a joint company secretary of our Company. Pursuant to the Guidance Letter HKEX-GL108–20, the waiver will be for a fixed period of time ("**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Hong Kong Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Hong Kong Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Mr. Lau, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Kang in the discharge of his duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Hong Kong Listing Rules and to become familiar with the requirements of the Hong Kong Listing Rules and other applicable Hong Kong laws and regulations, for an initial period of three years commencing on the Listing Date. Given Mr. Lau's professional qualifications and experience, he will be able to explain to both Mr. Kang and our Company the relevant requirements under the Hong Kong Listing Rules. Mr. Lau will also assist Mr. Kang in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. He is expected to work closely with Mr. Kang, and will maintain regular contact with Mr. Kang, our Directors, Supervisors and the senior management of our Company. The waiver will be revoked immediately if Mr. Lau ceases to provide assistance to Mr. Kang as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Hong Kong Listing Rules by our Company. In addition, Mr. Kang will comply with the annual professional training requirement under Rule 3.29 of the Hong Kong Listing Rules and will enhance his knowledge of the Hong Kong Listing Rules during the three-year period from the Listing. Mr. Kang will also be assisted by (a) the Compliance Advisor, particularly in relation to compliance with the Hong Kong Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company's ongoing compliance with the Hong Kong Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three year period, the qualifications and experience of Mr. Kang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Hong Kong Listing Rules can be satisfied and whether the need for ongoing assistance of Mr. Lau will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Mr. Kang, having benefited from the assistance of Mr. Lau for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules so that a further waiver will not be necessary.

See "Directors, Supervisors and Senior Management" for the biographical information of Mr. Kang and Mr. Lau.

ALLOCATION OF OUR H SHARES TO EXISTING MINORITY SHAREHOLDERS AND THEIR CLOSE ASSOCIATES UNDER RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES

Rule 10.04 of the Hong Kong Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions in Rule 10.03 of the Hong Kong Listing Rules are fulfilled:

(i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities: and

(ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules provides that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees, unless the conditions set out in Rules 10.03 and 10.04 of the Hong Kong Listing Rules are fulfilled.

Prior to the Listing, our Company's share capital comprises entirely A Shares listed on the SSE STAR Market. We have a large and widely dispersed public A Share shareholder base.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 of, and consent under Paragraph 5(2) of Appendix 6 to, the Hong Kong Listing Rules to permit H Shares in the International Offering to be placed to certain existing minority Shareholders who (i) hold less than 5% in the issued share capital of our Company prior to the completion of the Global Offering; and (ii) are not and will not become (upon the completion of the Global Offering) core connected persons (as defined in the Hong Kong Listing Rules) of our Company or the close associates of any such core connected person (together, the "**Existing Minority Shareholders**") on the following conditions:

(i) each Existing Minority Shareholder to whom our Company may allocate the H Shares in the International Offering holds less than 5% of our Company's voting rights prior to the completion of the Global Offering;

(ii) each Existing Minority Shareholder is not, and will not be, a core connected person of our Company or any close associate of any such core connected person immediately prior to or following the Global Offering;

(iii) none of the Existing Minority Shareholders have the right to appoint any Directors and/or have any other special rights;

(iv) allocation to the Existing Minority Shareholders and/or their close associates will not affect our Company's ability to satisfy the public float requirement as prescribed under Rule 8.08 of the Hong Kong Listing Rules; and

(v) to the best of their knowledge and belief, each of our Company, the Joint Bookrunners and the Joint Sponsors (based on (i) their discussion with our Company and the Joint Bookrunners; and (ii) the confirmation provided to the Hong Kong Stock Exchange by each of our Company and the Joint Bookrunners) shall confirm to the Hong Kong Stock Exchange in writing that it has no reason to believe that the Existing Minority Shareholders or their close associates received any preferential treatment in any allocation in the International Offering by virtue of their relationship with our Company.

We expect to satisfy all the conditions set out in paragraph 4.20 of Guidance Letter HKEX-GL85–16 so that no actual or perceived preference will be given to the Existing Minority Shareholders due to their existing shareholdings in our Company. Allocation to the Existing Minority Shareholders will not be disclosed in our Company's allotment results announcement unless such Existing Minority Shareholders are interested in 5% or more of the issued share capital of our Company after the Global Offering, as our Company's A Shares are listed and trading on the SSE STAR Market, and there are practical difficulties for our Company to ascertain all the Existing Minority Shareholders.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhang Guoqiang (張國強) *Chairman*	31-3-502, Yuanyang Shanshui Lianshi East Road Shijingshan District Beijing, China	Chinese
Ms. Song Haiying (宋海英)	Room 2018, Unit 5, Building 31 Yicheng Xishan Gongguan Haidian District Beijing, China	Chinese
Ms. Dai Dongzhe (戴東哲)	No. 101, Door 1 Floor 1, Building 605 Nanli Sixth District Science Park Chaoyang District Beijing, China	Chinese
Non-executive Directors		
Ms. Teng Renjie (滕人杰)	No. 18, Gate 1, Building 27 Xili, Xibianmenwai Street Xicheng District Beijing, China	Chinese
Mr. Wu Yong (吳勇)	No. 202, Unit 2, Building 1 No. 5, Sanlihe Road Haidian District Beijing, China	Chinese
Independent Non-executive Directors		
Mr. Fang Jianyi (方建一)	12-1-902 Shanshui Wenyuan Phase 3 Hongyan Road Chaoyang District Beijing, China	Chinese
Mr. Liu Xiaoshi (劉小詩)	No. 502, Gate 3, Floor 3, District 3 Yard 15, Wanshou Road Haidian District Beijing, China	Chinese

Name	Address	Nationality
Mr. Ji Xuehong (紀雪洪)	No. 2301, Unit 1 Building 1, Yard 21 Xincheng East Street Mei'an Road Mentougou District Beijing, China	Chinese
Mr. Chan So Kuen (陳素權)	Flat 9, 19/F Shui Pak House Hong Pak Court Lam Tin, Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Mr. Zhang He (張禾)	No. A628, Zone 10 Jiuhua Villa Xiaotangshan Town Changping District Beijing, China	Chinese
Mr. Teng Zhaojun (滕朝軍)	Room 2101, Unit 1 Building 1, Yard 3 Jingying Road Xisanqi Street Haidian District Beijing, China	Chinese
Ms. Wang Shanshan (王珊珊)	3-1-1303 Qingfenghuajing Garden Xueyuan Road Haidian District Beijing, China	Chinese

Further information is disclosed in the section headed "Directors, Supervisors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Guotai Junan Capital Limited** 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	Giraffe Capital Limited 3/F, 8 Wyndham Street Central Hong Kong
Joint Global Coordinators	**Guotai Junan Securities (Hong Kong) Limited** 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Bookrunners	**Guotai Junan Securities (Hong Kong) Limited** 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	Essence International Securities (Hong Kong) Limited 39/F, One Exchange Square Central Hong Kong
	Zhongtai International Securities Limited 19th Floor Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	China Everbright Securities (HK) Limited 12/F, Everbright Centre 108 Gloucester Road Wanchai Hong Kong

	SPDB International Capital Limited 33/F, SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong
	ICBC International Capital Limited 37/F ICBC Tower 3 Garden Road Hong Kong
	Futu Securities International (Hong Kong) Limited Unit C1–2, 13/F United Centre No.95 Queensway Hong Kong
	Valuable Capital Limited 2808, 28/F, China Merchants Tower Shun Tak Centre 168–200 Connaught Rd. C. Hong Kong
Joint Lead Managers	**Guotai Junan Securities (Hong Kong) Limited** 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	Essence International Securities (Hong Kong) Limited 39/F, One Exchange Square Central Hong Kong
	Zhongtai International Securities Limited 19th Floor Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

China Everbright Securities (HK) Limited
12/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

ICBC International Securities Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1–2, 13/F
United Centre
No.95 Queensway
Hong Kong

Valuable Capital Limited
2808, 28/F, China Merchants Tower
Shun Tak Centre
168–200 Connaught Rd. C.
Hong Kong

Co-lead Manager	**Merdeka Securities Limited** Room 1108–1110, 11/F Wing On Centre 111 Connaught Road Central Hong Kong
Legal Advisors to our Company	*As to Hong Kong laws:* **Chungs Lawyers** **in association with DeHeng Law Offices** 28/F, Henley Building 5 Queen's Road Central Hong Kong

	As to PRC law: **Beijing DeHeng Law Offices** 12/F, Tower B, Focus Place 19 Finance Street Xicheng District Beijing, PRC
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong laws:* **King & Wood Mallesons** 13/F Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **King & Wood Mallesons** 17th Floor, One ICC Shanghai International Commerce Center 999 Middle Huai Hai Road, Xuhui District Shanghai, PRC
Auditor and Reporting Accountants	**Moore Stephens CPA Limited** *Certified Public Accountants and* *Registered Public Interest Entity Auditor* 801–806 Silvercord Tower 1, 30 Canton Road Tsim Sha Tsui, Kowloon Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10/F, Block B Jingan International Center 88 Puji Road, Jingan District Shanghai, PRC
Compliance Advisor	**Guotai Junan Capital Limited** 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Receiving Bank	**Industrial and Commercial Bank of China (Asia) Limited** 33/F, ICBC Tower 3 Garden Road Central, Hong Kong

Registered Office	Room C701, 7th Floor, Block C Building B-6, Dongsheng Science Park Zhongguancun, No. 66, Xixiaokou Road Haidian District Beijing, China
Headquarters and Principal Place of Business in China	Room C701, 7th Floor, Block C Building B-6, Dongsheng Science Park Zhongguancun, No. 66, Xixiaokou Road Haidian District Beijing, China
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Company's Website	**www.sinohytec.com** *(information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	Mr. Kang Zhi (康智) No.1906, Floor 19 Building 3, Yard 3 Changying Middle Road Chaoyang District Beijing, China Mr. Lau Kwok Yin (劉國賢) *(member of the Hong Kong Institute of Certified Public Accountants, and fellow of each of The Chartered Governance Institute and the Hong Kong Chartered Governance Institute)* 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong

Authorized Representatives	Mr. Zhang Guoqiang (張國強) 31-3-502, Yuanyang Shanshui Lianshi East Road Shijingshan District Beijing, China Mr. Lau Kwok Yin (劉國賢) *(member of the Hong Kong Institute of Certified Public Accountants, and fellow of each of The Chartered Governance Institute and the Hong Kong Chartered Governance Institute)* 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Strategy Committee	Mr. Zhang Guoqiang (張國強) *(Chairperson)* Ms. Song Haiying (宋海英) Ms. Dai Dongzhe (戴東哲)
Audit Committee	Mr. Fang Jianyi (方建一) *(Chairperson)* Mr. Ji Xuehong (紀雪洪) Mr. Chan So Kuen (陳素權)
Nomination Committee	Mr. Liu Xiaoshi (劉小詩) *(Chairperson)* Mr. Ji Xuehong (紀雪洪) Mr. Zhang Guoqiang (張國強)
Remuneration and Evaluation Committee	Mr. Liu Xiaoshi (劉小詩) *(Chairperson)* Mr. Ji Xuehong (紀雪洪) Ms. Dai Dongzhe (戴東哲)
H Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong

Principal Banks

Industrial and Commercial Bank of China
(Beijing Zhongguancun Branch)
No. 2, Shangdi Information Road
Haidian District
Beijing, China

China Merchants Bank
(Beijing Shijicheng Branch)
No. 1, Chuihong Garden
Landian Factory
Haidian District
Beijing, China

Guangdong Development Bank
(Beijing Xidan Branch)
Courtyard 45
Fuxingmennei Street
Xicheng District
Beijing, China

The information and statistics set out in this section and the data and statistics about the hydrogen energy industry, the fuel cell vehicle industry, and the fuel cell system market in China in other sections of this prospectus are extracted from various official government publications, market data providers and the CIC Report prepared by CIC, an Independent Third-Party industry consultant commissioned by us. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, any of their respective directors, employees, agents or advisers or any other person or party involved in the Listing, and no representation is given as to its accuracy, fairness and completeness.

SOURCES OF INFORMATION

This section contains information extracted from the CIC Report prepared by CIC independently, which is commissioned by us, for this prospectus. We expect to pay CIC a total of RMB1,050,000 for the CIC Report. CIC is a consulting company established in Hong Kong which provides industry consulting services, commercial due diligence and strategic consulting services for a variety of industries.

CIC undertook both primary and secondary research using various resources to prepare this report. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, including International Energy Agency, National Bureau of Statistics of China, China Association of Automobile Manufacturers, etc. The data collected by CIC have been analyzed, assessed, and validated using CIC's in-house analysis models and techniques. The methodology used by CIC is based on information gathered from multiple levels, which allows for such information to be cross-referenced for reliability and accuracy.

CIC prepared its report on the following basis and assumptions for historical information and projections: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in the fuel cell vehicle industry throughout the forecast period, including the development of hydrogen fuel cell system technologies and the reduction of cost, hydrogen infrastructure development, and supportive policies regarding fuel cell vehicle industry and new energy vehicle industry; and (iii) there will be no force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way during the forecast period. All forecasts in relation to market size are based on the general economic conditions as of the Latest Practicable Date, which would be adjusted if the COVID-19 outbreak persists or escalates and has an unpredicted negative impact on the general economy in China.

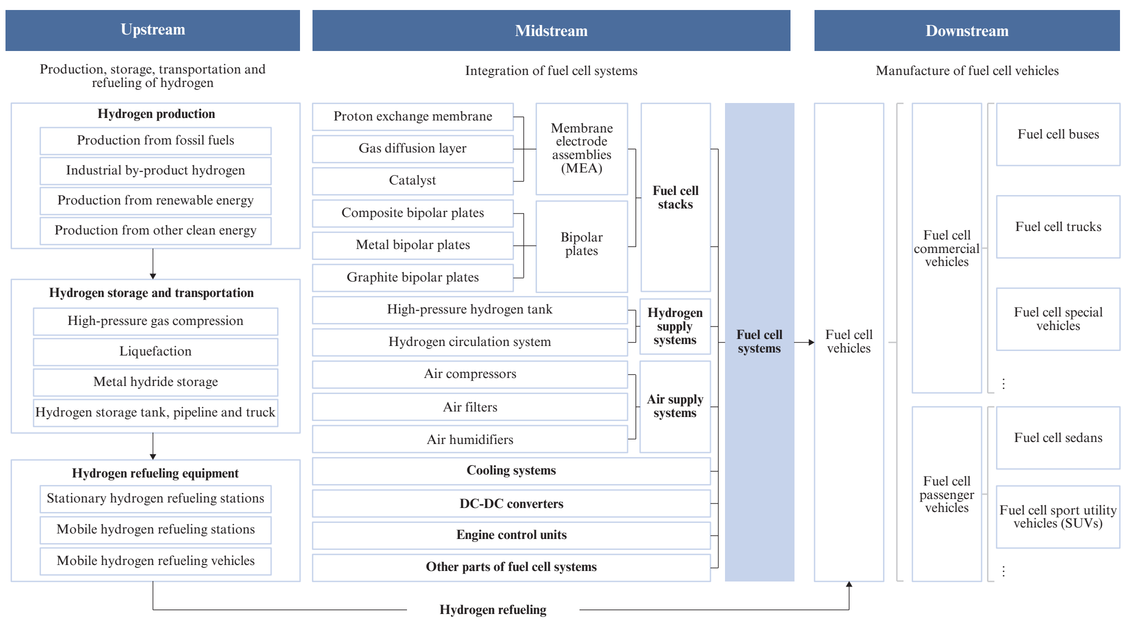
OVERVIEW OF HYDROGEN ENERGY MARKET IN CHINA

As a secondary energy, hydrogen possesses the characteristics and advantages of being diversely sourced, clean and low-carbon, storable and transportable, and flexible and efficient. Hydrogen energy can be widely used in sectors such as chemical, transportation, construction, energy storage and power generation.

Value chain of hydrogen energy industry in China

The following flow chart illustrates the value chain of hydrogen energy industry with a focus on fuel cell system market in China.

Value chain of hydrogen energy industry in China with a focus on fuel cell system market

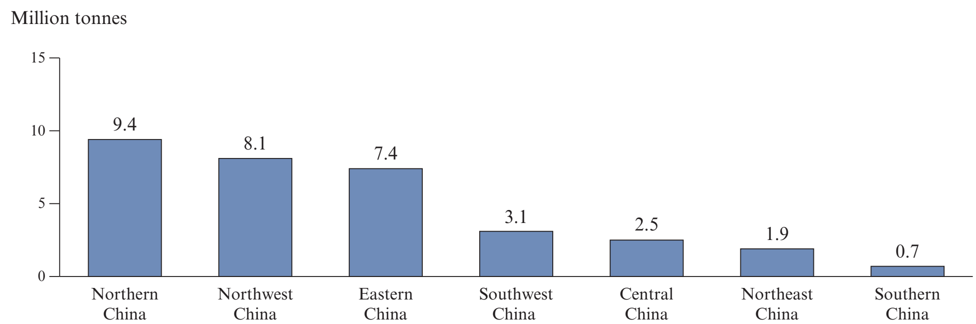


Source: CIC

Size of the hydrogen energy industry in China

China is well-endowed with the prerequisite resources to develop hydrogen energy. In 2021, China produced approximately 33 million tonnes of hydrogen, making it the world's largest hydrogen producer. The introduction of the strategic goal to achieve carbon neutrality drives the development of China's hydrogen energy industry. Industries of electricity, transportation and chemistry are pressing for energy saving and carbon emission reduction. This will continue to drive the overall demand for hydrogen in China; the expected hydrogen production in China will exceed 37 million tonnes by 2030. Globally, it is expected that hydrogen energy will meet 18% of total energy demand with the market size reaching US$2.5 trillion by 2050, and reducing over six billion tonnes of carbon dioxide emissions per year.

Hydrogen production volume by region*, China, 2021



**Notes:*

(1) Eastern China includes *Shanghai*, *Jiangsu Province*, *Zhejiang Province*, *Anhui Province*, *Fujian Province*, Jiangxi Province and *Shandong Province*.

(2) Southern China includes *Guangdong Province*, Guangxi Zhuang Autonomous Region and Hainan Province.

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(8) Provinces or cities in italic are regions where the Company's customers operate in during the Track Record Period.

In 2021, hydrogen production was concentrated in Northern China, Northwest China and Eastern China. Northern and Northwest China have rich fossil fuel energy resources and currently produce most hydrogen from coal and natural gas, while some was industrial by-product, of which the majority was coke oven gas. Eastern China is developed in fine chemical and manufacturing industry which provides industrial resources to produce hydrogen as an industrial by-product, and the relevant techniques of obtaining relatively high purity hydrogen from the production of propane and ethane are mature. The hydrogen production market is relatively fragmented in China, with the five largest producers representing no greater than 30% of total production volume, and the remaining over 70% market share is shared between over 500 producers.

INDUSTRY LANDSCAPE OF HYDROGEN ENERGY MARKET IN CHINA

Analysis of the hydrogen energy industry chain in China

The hydrogen energy industry chain in China is mainly composed of production, storage and transportation, application, and distribution infrastructure of hydrogen.

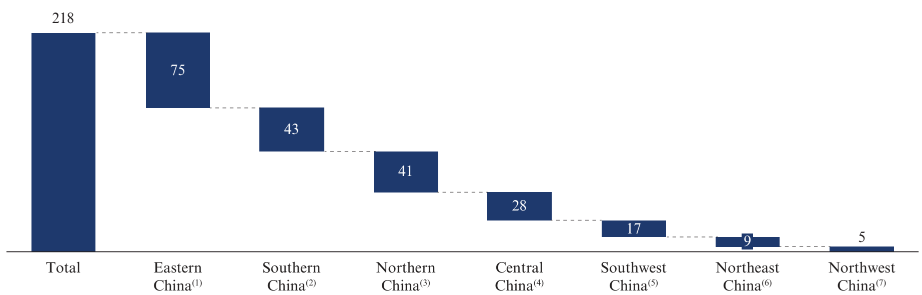
- **Hydrogen production.** In China, the most common type of hydrogen is "grey hydrogen" which amounted to over 32.7 million tonnes, accounted for approximately 99% of the total hydrogen production in 2021 and is either produced from fossil fuels or obtained as a by-product in chemical industry such as the production of propylene, ethylene, chlor-alkali and synthetic ammonia, etc. In 2021, the hydrogen produced from fossil fuels and obtained as industrial by-product accounted for 81% and 18% of the total hydrogen production in China respectively. "Blue hydrogen" is produced with fossil energy combined with CCUS (carbon capture, utilization and storage) technologies which store or reuse the carbon dioxide separated from hydrogen in order to reduce carbon emissions. Existing CCUS technologies require further development and are more costly than producing hydrogen from fossil energy, which explained its small scale in hydrogen production for the time being. "Green hydrogen" is produced from renewable energy sources, i.e. electrolysis of water, with no carbon dioxide emission. Producing hydrogen from electricity is currently more costly than from fossil energy with CCUS technologies and thus hinders rapid scale-up of "green hydrogen" production. As a result, "blue hydrogen" and "green hydrogen" only amounted to less than 0.3 million tonnes (among which "green hydrogen" contributed less than 10,000 tonnes), accounted for approximately 1% of the total hydrogen production in China in 2021. As of now, "blue hydrogen" is mainly supplied in Eastern, Northwest, and Northeast China, which have chemical industry clusters and access to potential space for geological storage of carbon dioxide, such as in Shandong Province, Jilin Province, etc. And most of the "green hydrogen" is produced in Northern China, such as Inner Mongolia Autonomous Region, Hebei Province, etc., with abundant supply of renewable energy resources for production of hydrogen. Electrolysis of water has great development potential in China due to the high purity of hydrogen produced by it and low carbon and environmental friendly nature. With solar photovoltaics and wind-based hydrogen generation becoming less costly, the electrolysers powered by renewable electricity could become increasingly competitive in the future. In the medium-to-long term, "green hydrogen" will be the key direction of the development of China's hydrogen production industry. It is expected that the annual hydrogen production from renewable energy sources will reach 100,000 tonnes to 200,000 tonnes by 2025 in China, and reducing 1 to 2 million tonnes of carbon dioxide emissions per year, as indicated in the Medium- and Long-term Development Plan for Hydrogen Industry (2021–2035) (《氫能產業發展中長期規劃(2021–2035年)》) which also set the goal of systematically promoting the development of hydrogen energy industry chain and expanding low-carbon hydrogen supply so as to accelerate China's carbon neutrality initiatives.

- **Hydrogen storage and transportation.** For hydrogen storage, high pressure gaseous hydrogen storage is the most mature form of hydrogen storage in China and has a number of advantages such as low upfront investment and fast hydrogen charging and discharging speed. While other hydrogen storage methods such as cryogenic hydrogen storage, solid-state hydrogen storage and liquid organic hydrogen storage are all still in early stages of development. For hydrogen transportation, due to the maturity of high-pressure gaseous hydrogen storage technology in China, the main mode of hydrogen transportation in China is gaseous transportation, while liquid hydrogen transportation and pipeline transportation are still in development. In general, hydrogen storage and transportation technology will follow the development direction from low to high pressure and from gaseous state to multiphase state. In addition, as hydrogen refueling stations are being built on a larger scale and the demand for hydrogen is increasing, the coupling of hydrogen and electricity will become an important application for hydrogen energy, playing an increasingly important role in energy regulation, conversion, storage and interconnection.

- **Hydrogen application.** While traditional hydrogen applications refer to the use of hydrogen in chemical synthesis and reaction, modern hydrogen applications refer to converting hydrogen into energy that is capable of being stored. Hydrogen fuel cell has a high level of power density and is relatively lightweight and portable, which makes it suitable for large scale application. With the occurrence of economic effect in hydrogen production, storage and transportation, the demand for hydrogen energy applications will continue to be released, and the output value of China's hydrogen energy industry is expected to reach RMB5.0 trillion in 2035. Driven by supportive government policies and the large-scale development of fuel cell vehicle industry, the demand for hydrogen in the transportation sector is estimated to increase from less than 1.0% of the total demand for hydrogen to about 40.0% in 2050. As the key industry in hydrogen energy application, fuel cell vehicle industry will advance towards performance improvement and cost-effectiveness. See "Overview of China's Fuel Cell Vehicle Industry".

- **Hydrogen distribution infrastructure.** Among the emerging downstream applications of hydrogen, fuel cell vehicles represent the largest segment with the greatest growth potential. As a result, hydrogen refueling stations have become crucial infrastructural facilities for promoting the development of the hydrogen energy industry. By the end of 2021, there were 218 hydrogen refueling stations in China, representing an emergent area as compared to over 100,000 gas stations and over 1,100,000 public EV charging piles across the country. With the implementation of hydrogen infrastructure-related plans, it is expected that there will be 1,200 hydrogen refueling stations in China by the end of 2026. It is expected that the construction of hydrogen refueling stations in China will drive further development of the overall hydrogen energy industry chain and the promotion of the fuel cell system market. Driven by a set of favorable factors, it is predicted that the retail hydrogen price (excluding subsidies) will fall from RMB60 per kilogram in 2021 (regardless of the type of hydrogen as the retail prices of "grey hydrogen", "blue hydrogen" and "green hydrogen" are similar in general) to RMB38 per kilogram in 2026, representing a CAGR of –8.7%. With the current subsidy policies remain unchanged, the retail hydrogen price is expected to fall below RMB38 per kilogram, which is competitive with the retail price of gasoline and diesel. And as the hydrogen refueling stations are located in different regions across China, the retail hydrogen prices are subject to variations in local hydrogen supply, relevant subsidies, electricity cost and operating costs. For example, the retail hydrogen prices (excluding subsidies) could vary between RMB50 per kilogram and RMB70 per kilogram in different regions in China in 2021.

Number of hydrogen refueling stations by region*, China, 2021



Source: H2Station, CIC

**Notes:*

(1) Eastern China includes *Shanghai*, *Jiangsu Province*, *Zhejiang Province*, *Anhui Province*, *Fujian Province*, Jiangxi Province and *Shandong Province*.

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In China, the hydrogen refueling stations are mainly located in the Eastern China, Southern China and Northern China, including the Company's core sales regions.

OVERVIEW OF CHINA'S FUEL CELL VEHICLE INDUSTRY

Development of new energy vehicles has a strategic significance to China's energy security as well as environmental issues. Fuel cells provide one of the feasible technical methods for new energy vehicle power system, and they are compatible with some of the vehicle models on the road and the power requirements under certain scenarios, and they are also complementary to battery and other technical solutions for new energy vehicles.

The development of the fuel cell vehicle industry in China is focusing on developing commercial vehicles first, and then expanding to passenger vehicles, mainly because fuel cell vehicles have the advantages of high loading capacity and long endurance mileage, which make them well suited for medium- and long-distance travel as well as medium- and heavy-duty transportation. Besides, in the commercial vehicle sector, there are more application scenarios with relatively fixed driving routes, which facilitate the construction of hydrogen refueling stations along these fixed routes.

Depending on different application scenarios, fuel cell commercial vehicles can be used for passenger transportation, freight transportation, etc. At present, the main regions in China promoting hydrogen fuel cell vehicles include Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, Sichuan-Chongqing and other urban agglomerations. The main types of application scenarios and the features of fuel cell commercial vehicle models are as shown in the following table:

Main Types of Application Scenario	The Characteristics of Vehicle Operating Scenarios	Main Vehicle Model	Percentage in the MIIT New Energy Vehicle Catalog	Fuel Cell Power Range
City and Intercity Passenger Transportation	The operating routes of city buses cover mainly the parts of a city and the main line, while the operating routes intercity buses cover mainly the city and suburb and have a longer average daily operating distance	Mainly 8–12m bus	56.0%	30kW–150kW
City and Intercity Freight Transportation	A high requirement in average daily operating distance and time efficiency; involves various scenarios including heavy-duty transportation, cold-chain transportation and special cargo transportation, etc.	6–12m panel van, refrigerated truck and insulated truck, etc.	18.1%	30kW–120kW
Municipal Sanitation	Requires a shorter average daily operating distance, a long operation time and a high loading capacity	Garbage truck, sprinkler truck, sweeper truck, road maintenance vehicle, etc.	11.3%	30kW–120kW
Construction and Civil Engineering	Operating scenarios are mainly based on the excavation of city infrastructures and properties, etc.; with a relatively fixed operating route	Mainly dump truck and concrete mixer	3.5%	Over 100kW

Main Types of Application Scenario	The Characteristics of Vehicle Operating Scenarios	Main Vehicle Model	Percentage in the MIIT New Energy Vehicle Catalog	Fuel Cell Power Range
Trailer Transportation	Used in raw material transportation for commodities, including ore and steel, etc., with a relatively fixed operating route and mainly for medium- and short-distance transportation	Cargo tractor, semi-trailer truck, etc.	11.1%	Over 100kW

Source: MIIT, CIC

Note: By the end of 2021, there were 452 fuel cell commercial vehicle models (excluding chassis) listed on the MIIT New Energy Vehicle Catalog.

Comparative analysis of fuel cell vehicles, battery electric vehicles and internal combustion engine vehicles

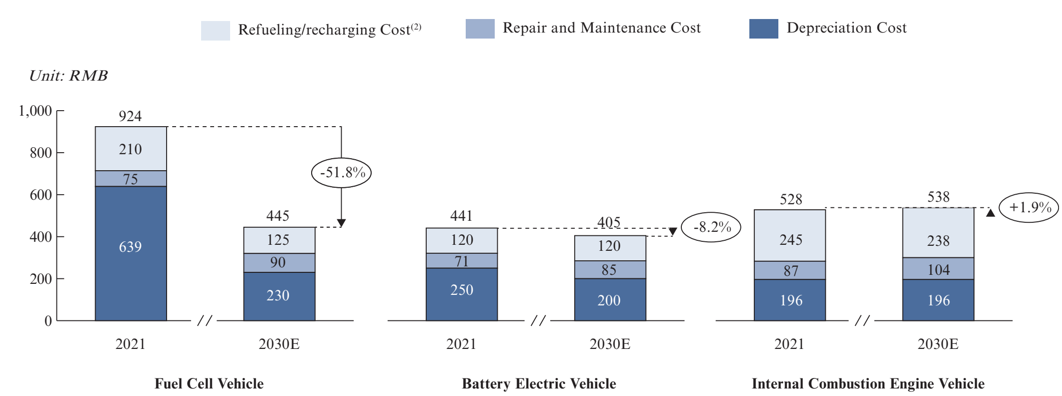
Fuel cell vehicles and battery electric vehicles are both new energy vehicles with features including electrification, greenness, cleanness, a low level of noise, and zero pollutant emission while in motion. In the light of the general trend of reducing energy consumption and emission in China and around the world, fuel cell vehicles and battery electric vehicles, as the fair substitutes for internal combustion engine vehicles will be the main force in the development of complete vehicle industry. Compared with internal combustion engine vehicles, fuel cell vehicles have obvious advantages in environmental protection and energy conversion efficiency. Compared with battery electric vehicles, fuel cell vehicles have outstanding performance in low-temperature environment, endurance mileage and refueling time. The battery electric vehicle industry has begun its development and industrialization earlier than the fuel cell vehicle industry in China, and battery electric vehicles currently remain the mainstream new energy vehicles, while the fuel cell vehicle industry is currently at developing stage.

Indicator	Fuel Cell Vehicle	Battery Electric Vehicle	Internal Combustion Engine Vehicle
Power system	Fuel cell system	Lithium battery	Internal combustion engine
Fuel to be filled	Hydrogen	Electricity	Gasoline or diesel
Technology safety	The risks are mainly attributed to hydrogen storage and the hydrogen refueling process	The risks are mainly attributed to the battery system, as its high mass power density is hardly compatible with safety	N/A

Indicator	Fuel Cell Vehicle	Battery Electric Vehicle	Internal Combustion Engine Vehicle
Performance at low temperature	Can self-start under a low ambient temperature of –30°C, and with a low-temperature storage at –40°C	A regular lithium battery cannot be charged in a low ambient temperature (–20°C or below), and the mileage may fall by around 30%	High-performance lubricant for the engine, a low temperature preheating device for the inlet pipe, and a high-performance auxiliary ignition device is needed to execute the corresponding cold-start task when the ambient temperature is –18°C or below
Impact on environment	The current energy structure of hydrogen production is transitioning from being mostly produced by fossil fuels and obtained as industrial by-product towards being produced from renewable energy sources which can realize zero emission; zero emission when operating the vehicle	The current electricity generation mix still focuses on fossil fuels such as coal and gas as important sources of carbon emissions, while the proportion of renewable energies has been gradually increasing; zero emission when operating the vehicle	Greenhouse gas and pollutants including CO_2, CO and SO_2 will be emitted throughout fuel production and vehicle operation
Endurance mileage (commercial vehicles)	Longer, over 500km from a full tank of fuel	Limited, 200–400km from a full charge	Around 500km from a full tank of fuel
Full refueling/ recharging time	5–15 minutes	2–8 hours	10 minutes
Energy conversion efficiency	Around 50–60%	N/A	Around 30–40%
Infrastructure for refueling/ recharging services	Hydrogen refueling stations, relatively scarce for the time being	Charging piles, covered major cities	Gas stations, commonly found
Applicable fields	Medium- and long-distance transportation, heavy-duty transportation	Medium- and short-distance transportation	Ubiquitous
CAGR of sales volume of power system between 2021 and 2026	Approximately 89.5%	Approximately 30%–40%	Approximately –10%–0%

Indicator	Fuel Cell Vehicle	Battery Electric Vehicle	Internal Combustion Engine Vehicle
Major applicable subsidy policy	National and local government subsidy policies for fuel cell vehicle demonstration application in accordance with the Notice on Launching Fuel Cell Vehicle Demonstration Project (《關於開展燃料電池汽車示範應用的通知》), the Notice on Starting Fuel-cell Vehicle Demonstration Application (《關於啟動燃料電池汽車示範應用工作的通知》) and the Notice on the Commencement of Demonstration Application of New Fuel Cell Vehicles (《關於啟動新一批燃料電池汽車示範應用工作的通知》)	National and local government purchase subsidy policies valid until the end of 2022 as specified by the Notice Regarding the Fiscal Subsidy Policies of 2022 for the Promotion and Application of New Energy Vehicles (《關於2022年新能源汽車推廣應用財政補貼政策的通知》)	None
Stage of industry development	Startup	Growth	Maturity

Composite Cost per 100km per Vehicle[1] including Fuel Cell Vehicle, Battery Electric Vehicle and Internal Combustion Engine Vehicle in China, 2021 and 2030E



Source: CIC

(1) Using 12m bus as an example, whose composite cost primarily includes refueling/recharging cost, repair and maintenance cost, and depreciation cost.

(2) Assuming that the average mileage of a vehicle is 150km/day and it operates on 200 days every year, its lifespan in operation will be 8 years.

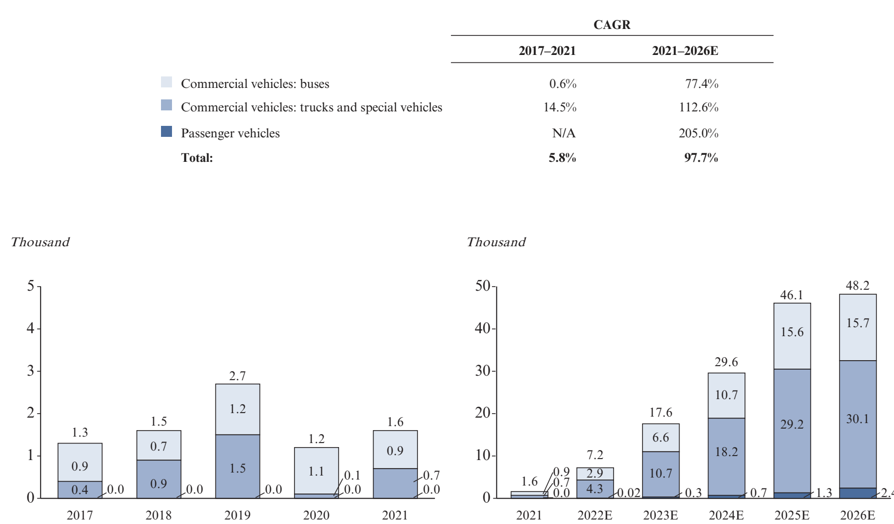
(3) Each value for the costs displayed in the chart is rounded to the nearest RMB.

Along with the gradual improvement of the construction of hydrogen refueling stations in China, the price and the refueling cost of fuel cell vehicles has been gradually reduced. On the other hand, the improvement of fuel cell technology and the scale development of the fuel cell vehicle industry will significantly lower the price of fuel cell vehicle price and vehicle depreciation cost. From 2021 to 2030, the composite cost per 100km of a 12-meter fuel cell bus in China will drop significantly. Considering that the overall scale and promotion volume of fuel cell vehicles are still lower than that of internal combustion engine vehicles and battery electric vehicles, with the further development of the hydrogen energy industry and the continuous expansion of the promotion of fuel cell vehicles, the composite cost per 100km per fuel cell vehicle will be further reduced after 2030 and become more competitive in the market.

Market size of fuel cell vehicles in China

From 2000 to 2014, the fuel cell vehicle industry was at the beginning of its development and mainly focused on product research and development as a strategic emerging industry identified and supported by the PRC government in China. After years of technological development, the first batch of fuel cell vehicles in the industry were successfully launched to the market in 2015. From 2017 to 2021, the sales volume of fuel cell vehicles in China increased from 1,300 to 1,600, with a CAGR of 5.8%. In 2020 and the first half of 2021, the progress of policy promotion slowed down due to the impact of COVID-19 while the demonstration application of fuel cell vehicles was forced to postpone, and thus the sales volume of fuel cell vehicles decreased. Driven by factors such as the introduction and implementation of specific policies in the demonstration city clusters since the second half of 2021, the reduction of hydrogen-refueling costs and the cost for fuel cell systems, the sales volume of fuel cell vehicles is expected to surpass 48,200 units by 2026.

Sales Volume of Fuel Cell Vehicles in China, 2017–2026E



Source: China Association of Automobile Manufacturers, GGII, CIC

China's total number of fuel cell vehicles increased from 1,900 by the end of 2017 to 8,900 by the end of 2021. According to the interim targets of demonstration and promotion of fuel cell vehicles set by major provinces, cities and regions, China's total number of fuel cell vehicles is estimated to exceed 100,000 by the end of 2025, which is expected to exceed the goal number (50,000) set by the NDRC and the National Energy Administration in the Medium- and Long-term Development Plan for Hydrogen Industry (2021–2035) (《氫能產業發展中長期規劃(2021–2035年)》, the "**Plan**"). Responding with enthusiasm to the Plan, the local governments in major provinces, cities and regions are introducing more detailed policies and higher goals to seize emerging opportunities in the hydrogen energy industry. With the progress of fuel cell technologies and the continuous improvement of system's rated power, fuel cell systems with high power output (i.e. models with 80kW or above power output) are capable of supporting heavy duty and long distance transportation beside buses. Market demands for higher output fuel cell systems are expected to increase due to the favorable policies granting higher subsidies on fuel cell vehicles in the heavy-duty transportation scenarios and the improvement of production of high power fuel cell systems.

Market drivers of the fuel cell vehicle industry in China

- **Favorable government supporting policies:** The PRC government has taken up international responsibilities for environmental protection, aiming to achieve peak carbon emissions by 2030 and carbon neutrality by 2060. The development of fuel cell vehicle industry has been identified as a key component of this goal. Since August 2021, the PRC government has approved five fuel cell vehicle demonstration city clusters, led by Beijing, Shanghai, Guangdong, Zhengzhou and Zhangjiakou, with four years of demonstration period to commercialize key core technologies for fuel cell vehicles. The implementation of government policies would strongly propel the development of the fuel cell vehicle industry. Additionally, Shandong, Sichuan and Inner Mongolia have also released and clarified their interim targets for fuel cell vehicle promotion, including the number of hydrogen refueling stations that will be built by 2025, and the policies of subsidies and tax deduction for fuel cell vehicle manufacturers.

- **Comprehensive hydrogen energy infrastructure development laying a solid foundation for the growth of fuel cell vehicle industry:** The advancement of compression system and the rapid pace of replacing imported machinery and equipment with domestic ones will expand the construction of hydrogen refueling stations nationwide. Meanwhile, China's major gasoline producers, including CNPC and SINOPEC, have also announced detailed plans on the establishment of hydrogen refueling stations, which will further accelerate the development of hydrogen energy infrastructure in China.

- **Maturing of fuel cell system technologies and reduction in costs driving the scale-up of the downstream fuel cell vehicle industry:** At the early stage of fuel cell vehicle industry, benefiting from the promotion of demonstration city clusters, fuel cell system manufacturers have increased investments in R&D to improve power, durability and efficiency of fuel cell vehicles. With the technological advancement and expected cost reduction in fuel cell systems, the market size of and the demand for fuel cell vehicles are expected to grow significantly.

- **Promoting demand with car sharing and rental operations:** Fuel cell passenger vehicles are expected to drive the growth of the overall fuel cell vehicle industry in the long term. To promote the demand for fuel cell passenger vehicles, car sharing and rental fuel cell vehicles are being launched in the key demonstration regions like Chongqing, and will be available in more cities in the next five years.

OVERVIEW OF CHINA'S FUEL CELL SYSTEM MARKET

Value chain of the fuel cell system market

The value chain of the fuel cell system market is mainly composed of the production and manufacture of components of fuel cell systems and other ancillaries in the upstream, the integration of fuel cell systems in the midstream as well as the production and manufacturing of fuel cell vehicles in the downstream, and is characterized with a long value chain and a large number of participants.

- The upstream of the fuel cell system market involves the R&D and production of core components (including stacks, MEA and bipolar plates) and other auxiliary components. Various vehicle component suppliers, as the major participants of the upstream, sell their products mainly to fuel cell system integrators.

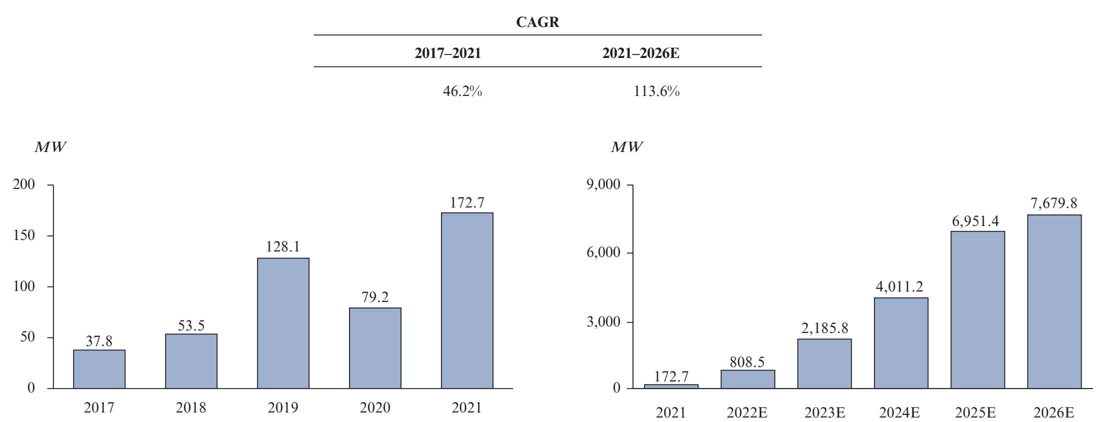
- The midstream of the fuel cell system market is featured by the integration and manufacturing of fuel cell systems. As there are numerous components involved in fuel cell systems, the performance of components in a fuel cell system has a great impact on the overall performance of fuel cell vehicles. As the major participants in the value chain, fuel cell system manufacturers normally involve in lots of R&D activities in products and raw materials testing. They integrate components, manufacture fuel cell systems and sell them to the downstream fuel cell vehicle manufacturers.

- The major participants in the downstream of the fuel cell system market are vehicle manufacturers, which, by integrating the supply chain, purchase the components necessary for the production of fuel cell vehicles from fuel cell system integrators and other component suppliers, produce fuel cell vehicles, and then sell them to end users such as public transportation companies and operating enterprises. At the industry's early stage of development, fuel cell vehicle manufacturers were mostly large vehicle manufacturers, leading to a rather concentrated customer base for fuel cell system manufacturers.

Installed capacity and market size of fuel cell systems in China

From 2017 to 2021, the installed capacity of fuel cell systems in China increased from 37.8MW to 172.7MW at a CAGR of 46.2%. In 2020, the installed capacity of fuel cell systems decreased as a result of the delay in implementation of policies for downstream fuel cell vehicles promotion due to COVID-19. In the second half of 2021, local governments introduced and implemented specific policies and arrangements to promote fuel cell vehicles and therefore led the fuel cell systems industry back to rapid development. In the future, with the increased demand in fuel cell industry resulted from the large-scale application of the downstream fuel cell vehicles and also the increased average installed power brought by the advancement of technologies, it is expected that the installed capacity of fuel cell systems in China will increase rapidly, reaching 7,679.8MW in 2026 at a CAGR of 113.6% from 2021 to 2026. Driven by the increase in production and sales volume of fuel cell vehicles, the sales volume of fuel cell systems in China increased from 1,500 sets to 2,200 sets from 2017 to 2021 at a CAGR of 9.0%. It is expected that the annual sales volume will reach 52,900 sets in 2026 at a CAGR of 89.5% from 2021 to 2026.

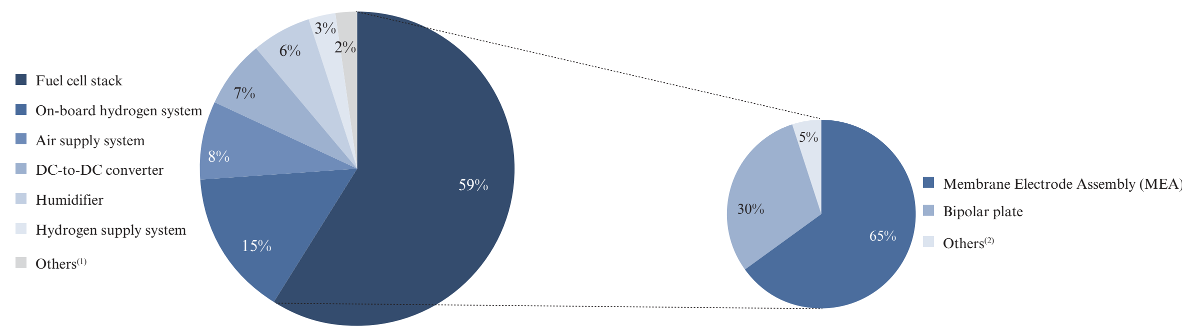
Installed Capacity of Fuel Cell Systems in China, 2017–2026E



Source: GGII, CIC

Analysis of China's fuel cell systems and key raw materials

Cost of Fuel Cell System and Key Raw Materials, China, 2021



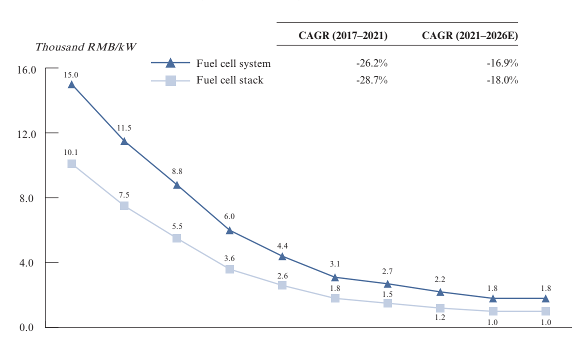
Source: China Society of Automotive Engineers, CIC

(1) Such as chips, control software, sensors

(2) Such as end plate, gasket, current collector

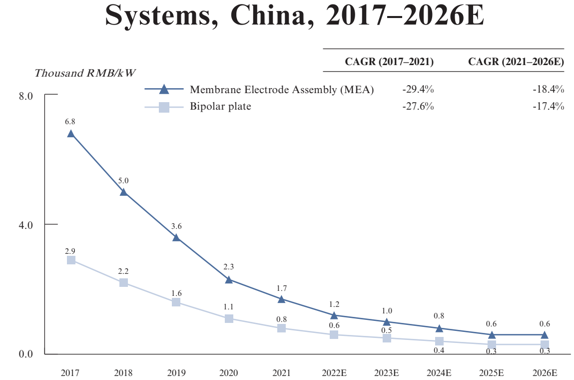
The key raw materials of the fuel cell stacks mainly include MEAs, bipolar plate and others. MEAs are the core component of fuel cell stacks composing of proton exchange membrane (PEM), catalyst and gas diffusion layer. The suppliers of MEAs are mainly located in China, the U.S., Canada and the U.K. Bipolar plates can be divided into graphite bipolar plates, metal bipolar plates and composite bipolar plates, and their suppliers are mainly located in China, the U.S., Japan and Europe. The markets of MEA and bipolar plate are becoming less concentrated because more players are entering into such markets.

Cost of Fuel Cell Systems and Fuel Cell Stacks, China, 2017–2026E



Source: China Society of Automotive Engineers, CIC

Cost of Key Raw Materials of Fuel Cell Systems, China, 2017–2026E



Source: China Society of Automotive Engineers, CIC

In the early stage of China's fuel cell system market, the market mainly relied on foreign products and technologies, resulting in high costs of fuel cell systems and fuel cell stacks. However, in recent years, with increasing R&D investment by Chinese fuel cell system manufacturers, the cost of the fuel cell stacks, which accounts for nearly 60% of the cost of the fuel cell systems, has reduced, which in turn leads to a further reduction in the cost of the fuel cell systems. Meanwhile, the overall improvement of R&D technology in the fuel cell system market and the beginning of batch production will also drive the reduction in the cost of MEAs and bipolar plates.

In light of favorable policies promoting the new energy vehicle industry in China, new energy systems would gradually become mainstream systems in the medium to long term and would gradually replace internal combustion engines. Besides, as fuel cell vehicles are more suitable for medium to long distance and heavy-duty transportations such as heavy-duty trucks, buses and cold-chain logistics vehicles, the end users would shift their demand for medium to long distance and heavy-duty transportation products from electric battery systems and internal combustion engines to fuel cell systems, once the prices of the fuel cell systems become more competitive as compared to the prices of electric battery systems and internal combustion engines. The following table sets forth the price comparison between fuel cell systems with power output of 80kW, 120kW, and 220kW, and electric battery systems and internal combustion engines with comparable power output that are used in vehicles including heavy-duty trucks, buses and cold-chain logistics vehicles.

Average selling price (including subsidies) per kW of comparable fuel cell systems, electric battery systems and internal combustion engines ***(RMB per kW)***

Type of power systems	2022	2025E
Fuel cell systems(1)	1,614	754
Electric battery systems(2)	948	1,109
Internal combustion engines(3)	1,037	1,014

(1) The average selling prices of fuel cell systems have considered the related government subsidies. In 2022 and 2025, the selling prices of fuel cell systems have included (i) state-level subsidies, (ii) city-level local subsidies equal to the amount of state-level subsidies at 1:1 subsidy ratio; and (iii) district-level subsidies totaling 10–40% of the amount of state-level subsidies.

(2) In 2022, the selling prices of electric battery systems are expected to increase to approximately RMB1,100 in 2025 in view of the termination of subsidy policy on battery electric vehicles by the end of 2022 and rising costs of raw materials used in electric battery systems.

(3) The average selling price of internal combustion engines are estimated to remain stable in view of relatively stable production costs and internal combustion engine vehicles purchase tax in China during the same period.

In view of the above, the price of fuel cell systems is becoming comparable to electric battery systems and internal combustion engines going forward. The bases and details of the related government subsidies policies are detailed in the following section. Fuel cell vehicles and battery electric vehicles have their distinctive advantages and are expected to co-exist in the long run in the new energy vehicle market. The risk of fuel cell vehicles being replaced by battery electric vehicles is low due to a combination of factors, for example, the specific energy capacity of hydrogen is greater than battery, battery electric vehicles take more time to recharge, and fuel cell vehicles are more suitable for medium- and long-distance and heavy-duty transportation.

Key preferential policies and regulations to stimulate China's fuel cell system market

For hydrogen energy application and fuel cell application, the Chinese government developed national energy strategic plan, proposed to (i) upgrade hydrogen technologies and equipment in the industry, (ii) facilitate the infrastructure constructions including refueling stations and (iii) promote the development of hydrogen fuel cell technology and hydrogen fuel cell vehicle industry chain. For fuel cell applications, the Chinese government also proposed a series of favorable policies, including but not limited to Development Plan for New Energy Automobile Industry (2021–2035), China's Energy Development in the New Era, Circular on the Demonstration Application of Fuel Cell Vehicles, the Action Plan for Carbon Dioxide Peaking Before 2030 and the Medium- and Long-term Development Plan for Hydrogen Industry (2021–2035) (《氫能產業發展中長期規劃(2021–2035年)》, the "**Plan**", which sets the goals for the development of hydrogen energy industry in the next fifteen years. According to the "Plan", by 2025, the industry participants in China will master core technologies and manufacturing process, and there will be around 50,000 fuel cell vehicles on the road. See "Regulatory Overview — Government Policies Relating to Fuel Cells — National Policy and Industry Guidance".

Nevertheless, according to the interim targets of demonstration and promotion of fuel cell vehicles set by major provinces, cities and regions, China's total number of fuel cell vehicles is estimated to exceed 100,000 by the end of 2025, which is expected to exceed the goal number (50,000) set by the Plan. Responding with enthusiasm to the Plan, the local governments in major provinces, cities and regions are introducing more detailed policies and higher goals to seize emerging opportunities in the hydrogen energy industry.

The PRC government also encourages the purchase of fuel cell vehicles by providing government subsidies to the purchasers of the vehicles. In 2015, the PRC government issued the Financial Support Policies on the Promotion and Application of New Energy Vehicles in 2016–2020 (《財政部、科技部、工業和信息化部、發展改革委關於2016–2020年新能源汽車推廣應用財政支持政策的通知》), a state-level policy, to provide government subsidies to the purchasers of new energy vehicles including battery electric vehicles and fuel cell vehicles. See "Regulatory Overview — Government Policies Relating to Fuel Cells — Government Subsidies for NEV Purchasers and Sellers".

In 2020, as the purchase subsidy policy came to an end, in consideration of the technology development and economy of scale of the new energy vehicle, the PRC government issued the Notice of Improving the Policies on Government Subsidies for

Promotion and Application of New Energy Vehicles (《關於完善新能源汽車推廣應用財政補貼政策的通知》) to (i) extend the subsidy policy for the purchase of new energy vehicles to the end of 2022 and (ii) adjust the purchase subsidy policy for fuel cell vehicles to support the demonstration application of fuel cell vehicles. The PRC government detailed in the extended subsidy policy the technical requirements and the calculation of subsidies for the new energy vehicles, which included factors such as power type, mileage, power output of the battery and commercial versus private use. See "Regulatory Overview — Government Policies Relating to Fuel Cells — Government Subsidies for NEV Purchasers and Sellers".

In light of the termination of the purchase subsidy policy for battery electric vehicles by the end of 2022, and to promote fuel cell vehicles, the PRC government adjust the purchase subsidy policy for the demonstration application of fuel cell vehicles. The PRC government issued a state-level policy in the Notice on Launching Fuel Cell Vehicle Demonstration Projects (《關於開展燃料電池汽車示範應用的通知》) and replaced the purchase subsidy policy with the policy rewarding cities that meet fuel cell demonstration requirements to promote the application of fuel cell vehicles. The eligibility for such rewards is specified in the appendix of the notice, which includes but not limited to the number and the rated power of the fuel cell vehicles sold in the city clusters, whether key components have passed third party testing and the utilization of fuel cell energy. Since the launch of the Notice on Launching Fuel Cell Vehicle Demonstration Projects (《關於開展氫燃料電池汽車示範應用的通知》) in September 2020, the market demand of fuel cell vehicles has been guided to focus more on trucks with the weight exceeding 12 tonnes and fuel cell systems with higher power output (i.e. models with 80kW or above power output).

The major specific eligibility criteria of the PRC government's incentive policy for fuel cell vehicles are summarized as follows:

(i) the power output of fuel cell systems should be no less than 50kW and no less than 50% of the rated power of the fuel cell vehicle's electric motor;

(ii) the power density of fuel cell systems should be no less than 300kW/kg for fuel cell commercial vehicles and no less than 400kW/kg for fuel cell passenger vehicles;

(iii) the freeze-start temperature of fuel cell systems should be no higher than –30°C;

(iv) the hydrogen-powered driving range per fuel cell vehicle should be no less than 300km for fuel cell vehicles. For fuel cell trucks with weight of not less than 31 tonnes, and transport vehicles at mining sites and airports, it should be no less than 200km;

(v) Fuel cell passenger vehicle manufacturers should provide product warranties for a period of no less than eight years or a mileage of no less than 120 thousand km, and fuel cell commercial vehicle manufacturers should provide product warranties for a period of no less than five years or a mileage of no less than 200 thousand km; and

(vi) the average accumulated hydrogen-powered mileage per fuel cell vehicle should be no less than 30 thousand km.

In addition to the above PRC government's incentive policy, in order to promote demonstration application of fuel cell vehicles at local level, cities and districts have issued local policies regarding the development of fuel cell vehicle industry and some of them provided additional subsidies to the purchasers of the fuel cell vehicles or systems. For example, Shanghai announced the first city-level fuel cell vehicle development scheme in 2018, which provided subsidies to vehicle manufacturers (the amount of the city-level subsidies would be the same as the state-level subsidies if the power output of the fuel cell systems is not less than 50% of the rated power of the fuel cell vehicle's electric motor, and would be 50% of the state-level subsidies if this threshold is not met). The amount of local-level subsidies depends on the type of the fuel cell vehicles and the receipt of state-level subsidies, and are usually offered at the same amount or at a certain percentage of the state-level subsidies. To qualify, the model of the fuel cell vehicle must fulfill a number of criteria including, among others, the requirements of fuel cell vehicle application policy of the demonstration city clusters, minimum endurance range and hydrogen-powered mileage per vehicle, rated power of fuel cell systems. For another example, Beijing provides city-level subsidies equaling the amount of the state-level subsidies, Daxing District provides district-level subsides at 40%, 30%, 20% and 10% of the state-level subsidies respectively across the demonstration period. The criteria for obtaining the subsidies in Beijing include the minimum hydrogen-powered mileage per vehicle of 7,500 kilometers in the first year and 12,500 kilometers in the following three consecutive years during the demonstration period. Even though part of the local subsidy policies (which is specifically applicable to the purchase of battery electric vehicles) are expected to expire in the end of 2022 along with the state-level subsidies for new energy vehicles, the development schemes for fuel cell vehicles will continue as the PRC government continue to support the demonstration application of fuel cell vehicles. The implementation of local-level fuel cell vehicle development schemes gives more detailed guidance of supportive policies tailored for the regional city clusters with different industrial base and development path. See "Regulatory Overview — Government Policies Relating to Fuel Cells — The Local Policy".

Before the launch of the Notice on Launching Fuel Cell Vehicle Demonstration Projects (《關於開展氫燃料電池汽車示範應用的通知》), the state-level subsidy policy for hydrogen fuel cell vehicles primarily granted subsidy to qualified fuel cell vehicles manufacturers, and the local subsidy policies primarily granted subsidy to fuel cell vehicle purchasers. The state-level subsidies are settled between the national finance departments and fuel cell vehicles manufacturers, and the fuel cell vehicles are sold to purchasers at a price after deducting the applicable subsidy at sale. The local subsidies are paid first either by fuel cell vehicles manufacturers or by purchasers based on their local policies, business negotiations, prices, payments and other factors.

After the launch of the Notice on Launching Fuel Cell Vehicle Demonstration Projects (《關於開展氫燃料電池汽車示範應用的通知》), the government subsidy model has been changed to award eligible city clusters for the commercialization of key technologies used in the fuel cell vehicles and the pilot adoption of fuel cell vehicles within the city cluster. And the eligible city clusters are responsible for granting the subsidies to fuel cell vehicles manufacturers, fuel cell system manufacturers and other raw material suppliers. The award is calculated based on the accumulative points and one point is equal to RMB100 thousand in principle with the upper limit of 15 thousand points. Potential adjustments of subsidy standards and technical requirements may be required under certain circumstances during the demonstration period.

In general, the PRC government's subsidy policy on new energy vehicles indicate the government's continuous support in the development of new energy vehicle industry and its willingness to provide financial support until the technologies in the market become mature and the economies of scale are reached. In addition, the termination of the purchase subsidy policy for battery electric vehicles in the end of 2022 along with the implementation of fuel cell vehicle demonstration projects may weaken the price competitiveness of battery electric vehicles and have a positive impact on fuel cell vehicles and our products.

Market potentials for China's fuel cell system market

- **Increasing demand for hydrogen energy driven by the transformation of China's traditional energy structure:** China's primary energy consumption ranks the first in the world, and it has shown signs of growing dependence on imports of primary energies such as crude oil and natural gas. In order to decrease this energy dependence and boost energy security, China is in strong need of further developing and utilizing secondary energies such as electricity and hydrogen. Furthermore, China is facing the problem of mismatching between energy distribution and demand, which restricts the improvement of comprehensive energy utilization efficiency. Accordingly, hydrogen energy will show a great market potential as the representative of high-density energy.

- **Advantage of abundant renewable resources, advanced technology, and improved hydrogen energy infrastructure:** China's energy transition can take advantage of abundant renewable resources, leading technology level and installed capacity. Meanwhile, under the guidance of national policies, hydrogen energy infrastructures for production, storage, transportation and refueling are all being gradually improved, which will benefit all participants in the market.

- **Expanding market size of fuel cell vehicle industry driven by favorable policies:** In August 2021, the PRC government launched the first batch of demonstration city clusters and has formulated clear development goals and strategic plans for the fuel cell vehicle industry, and a series of detailed incentive plans to stimulate the development of the industry since then. In addition, the demand for fuel cell vehicles is also extending from government mandates to market-driven. Meanwhile, the major focus of fuel cell vehicles has shifted from buses to trucks and special vehicles and will eventually cover passenger vehicles in the future.

- **The decreasing cost of fuel cell stacks improves demand for fuel cell vehicles:** As the R&D capacity of China's fuel cell system market has improved significantly, several local companies have been able to manufacture fuel cell systems with proprietary intellectual property rights, driving a rapid decline in the cost of fuel cell systems and stacks. The decrease in the cost of fuel cell stacks, which are major components in the fuel cell systems, reduces the overall cost of fuel cell systems, and thus making fuel cell systems more affordable in China. Furthermore, the reduction in cost of fuel cell systems and stacks will narrow down the price gap between fuel cell vehicles and internal combustion engine vehicles with comparable configurations rendering fuel cell vehicles an economically viable choice for more customers, as a result, the demand for fuel cell vehicles will increase significantly. However, the positive effect brought by the strong market demand can be partially offset by the decrease in average selling price per kW of fuel cell systems.

- **Increasing capital investment in the new energy industry:** Driven by the favorable policies and the growing demand for new energy, the total funds raised by new energy vehicles industry in China has increased to RMB363.9 billion in 2021, representing a year-on-year increase of 181.6%; and the hydrogen energy industry raised over RMB30.0 billion.

Market threats on China's fuel cell system market

China's fuel cell system market may face a number of market threats including:

— **Reduction of favorable policies.** For example, the expiration or cancelation of economic incentives or government policies due to fiscal tightening or policy changes may result in diminished competitiveness of the fuel cell system market, as many fuel cell system providers have benefited from government subsidies and policies that support the growth of the fuel cell vehicle industry.

— **Disruption of key components' supply.** Additionally, as manufacturers of fuel cell systems generally rely on various raw materials and key components sourced from domestic and global suppliers, raw material shortages or any major suppliers' failure to supply qualified components could disrupt the production and delivery of fuel cell systems.

— **Lack of infrastructural facilities.** Besides, the lack of sufficient infrastructural facilities may hamper the growth of the fuel cell system market as China's hydrogen industry is still at a relatively early stage of development, and hydrogen refueling stations in China are insufficient in number and rely on subsidies for construction. In particular, the availability of hydrogen refueling stations and the development of related infrastructure in China is still lagging compared to the charging infrastructures of the electric vehicle industry.

— **Shortage of skilled personnel.** As a technology-intensive industry, the fuel cell system market is greatly influenced by the quality of professional talents, especially R&D personnels. The shortage of skilled personnels will be aggravated by the rapid growth of the market and increasing competition, which will likely see a concentration of skilled personnels in a small number of companies. This situation may decrease the overall pace of technology development in fuel cell system market.

COMPETITIVE LANDSCAPE OF CHINA'S FUEL CELL SYSTEM MARKET

In the past five years, the number of companies participating in China's fuel cell system market has increased from approximately 62 in 2016 to over 140 in 2021 and such increasing number of market players was caused by increasing market demands for fuel cell systems as driven by the favorable government subsidy policies, and the improvement of R&D technology in fuel cell system. Major market players in recent years include our Group, Haidriver (Qingdao) Energy Technology Co., Ltd.* (海卓動力(青島)能源科技有限公司), Shanghai Hydrogen Propulsion Technology Co., Ltd.* (上海捷氫科技有限公司), Shanghai REFIRE Group Limited* (上海重塑能源集團股份有限公司), Shenzhen Center Power Technology Co., Ltd.* (深圳市雄韜電源科技股份有限公司), and Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd.* (國鴻氫能科技(嘉興)股份有限公司). As some of the new market players have adopted a competitive pricing strategy, the average selling price per kW of fuel cell systems in the market experienced continuous decrease and the market share of the top five fuel cell system providers in terms of total power output of fuel cell systems sold decreased from 93.7% in 2020 to 91.6% in 2021, representing an intensifying competitive landscape of fuel cell system market even though fuel cell vehicles are still less popular than battery electric vehicles and internal combustion engine vehicles. As a pioneer in R&D and commercialization of fuel cell systems in China, the Group sold a total amount of 58.5MW of fuel cell systems directly to fuel cell vehicle manufacturers and ranked first in terms of total power output of fuel cell systems sold in 2021 with a market share of 27.8% in China's fuel cell system market.

Ranking of top five fuel cell system providers in terms of total power output of fuel cell systems sold(1), China, 2021

Ranking	Name of Company	Total power output of fuel cell systems sold in 2021 (MW)	Market share in terms of total power output of fuel cell systems sold in 2021 (%)
1	**The Group(2)**	**58.5**	**27.8**
2	Company A(3)	53.6	25.5
3	Company B(4)	38.1	18.1
4	Company C(5)	24.3	11.5
5	Company D(6)	18.4	8.7
	Top five subtotal	192.9	91.6
	Total	210.6	100.0

Source: CIC

(1) Sales volume and sales revenue in the table comprise only fuel cell systems sold directly to fuel cell vehicle manufacturers.

(2) The Group sold a total amount of 58.6MW of fuel cell systems, among which 58.5MW were sold directly to fuel cell vehicle manufacturers and the rest was power output of a fuel cell system sold to a scientific research institution.

(3) Company A, headquartered in Shanghai and established in 2018, is the subsidiary of a state-owned company engaging in the research and development, production and sales of fuel cell key raw materials, fuel cell stacks and fuel cell systems.

(4) Company B, headquartered in Shanghai and established in 2015, is a private company specializing in fuel cell technology R&D and fuel cell systems research and development, manufacturing and sales, and provision of fuel cell application development services.

(5) Company C, headquartered in Shandong Province and established in 2020, is a private company dedicated to the research and development, production and sales of fuel cell systems.

(6) Company D, headquartered in Guangdong Province and established in 2015, is a private company providing hydrogen fuel cells as core products.

Ranking of top five fuel cell system providers in terms of sales volume and sales revenue of fuel cell systems sold[1], China, 2021

Ranking	Name of Company	Sales volume of fuel cell systems, 2021 (Unit)	Market share in terms of sales volume of fuel cell systems, 2021 (%)	Sales revenue of fuel cell systems, 2021 (RMB in billion)
1	**The Group**	**542[2]**	**25.1**	**0.5**
2	Company A	510	23.6	0.3
3	Company B	410	19.0	0.2
4	Company C	250	11.6	0.1
5	Company D	200	9.3	0.1
	Top five subtotal	**1,912**	**88.6**	
	Total	**2,161**	**100.0**	

Source: CIC

(1) Sales volume and sales revenue in the table comprise only fuel cell systems sold directly to fuel cell vehicle manufacturers.

(2) The Group sold a total number of 543 fuel cell systems, among which 542 were sold directly to fuel cell vehicle manufacturers and 1 was sold to a scientific research institution.

The following table sets forth a comparison of the technical capabilities of the latest model of fuel cell system launched by the top five fuel cell system providers as of June 30, 2022.

	The Group	Company A	Company B	Company C	Company D
Launch time of new models	2021	2022	2021	2021	2022
Rated power (kW)	241	256	130	150	240
Power density (W/kg)	757	608	702	563	906
Energy conversion efficiency (%)	58	60	60	60	61
Freeze-start temperature (°C)	–35	–30	–30	–30	–30
Average selling price per kW(1) for the six months ended June 30, 2022 (RMB thousand)	~5.0	~3.8	N/A	N/A	~4.1
Average selling price per unit(1)(2) (RMB million)	~1.2	~1.0	N/A	N/A	~1.0
Core sales coverage	Beijing-Tianjin-Hebei, Sichuan, Shandong, Yangtze River Delta Regions, etc.	Shanghai, Jiangsu, etc.	Yangtze River Delta Regions, Pearl River Delta Regions, etc.	Shandong, Shanxi, etc.	Guangdong, Shanghai, Chongqing, Wuhan, etc.

Source: CIC

1. Average selling price per kW and per unit are not applicable for Company B and Company C, due to limited access to such non-public information.

2. The average selling price per unit of the latest fuel cell system model is the average selling price per kW for the six months ended June 30, 2022 multiplying rated power of that particular model.

It is a common industry practice that fuel cell system manufacturers sell a new product prototype to their clients before initiating mass production of such new products. Driven by the development of technology, fuel cell system manufacturers will continuously enhance the performance of such new product prototypes on technical capabilities such as power density, energy conversion efficiency and freeze-start temperature, and thereafter launch the new improved models for mass production.

As of June 30, 2022, according to the current effective Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products (hereinafter referred to as "**Announcement**") and Catalog of Recommended Models for the Promotion and Application of New Energy Vehicles (hereinafter referred to as "**Catalog**") published by MIIT, the Group ranked first in both of these categories in terms of the number of fuel cell vehicle models (excluding chassis) equipped with fuel cell systems. The Catalog had included 538 vehicle models equipped with 575 fuel cell systems provided by various companies, and 80 vehicle models equipped with fuel cell systems are provided by the Group, accounting for 13.9% of the total number. The following table sets forth a ranking of top five fuel cell system providers in terms of the number of fuel cell systems supporting fuel cell vehicle models (excluding chassis) recommended in the Catalog in China as of June 30, 2022.

Ranking	Name of Company	Number of fuel cell systems supporting fuel cell vehicle models (excluding chassis) recommended in the Catalog(1), as of June 30, 2022	Market share in terms of total number of fuel cell systems (%)
1	**The Group**	**80**	**13.9**
2	Company B	60	10.4
3	Company E(2)	51	8.9
4	Company A	29	5.0
5	Company D	28	4.9
	Top five subtotal	248	43.1
	Total	575	100.0

Source: MIIT, CIC

(1) The number of models listed on the Catalog is less than the number of models listed on the Announcement because the model should fulfill both the requirements on vehicle manufacturing and sales and the requirements on technology for new energy vehicle subsides. As of June 30, 2022, the Announcement had included 577 models of fuel cell vehicles (excluding chassis) equipped with 619 fuel cell systems, and 94 vehicle models are equipped with fuel cell systems provided by the Group.

(2) Company E, headquartered in Shenzhen and established in 1994, is a company listed on the Shenzhen Stock Exchange principally engaged in delivering reliable smart energy solution, providing systems including lead-acid battery system, lithium battery system and hydrogen fuel cell system.

As the downstream fuel cell vehicle industry is significantly affected by the formulation cycle of government subsidies, incentive policies and the limited scale of industrialization, the sales of fuel cell system providers has been seasonal in the past years.

In China, lithium battery systems and fuel cell systems are two categories of new energy systems that have been commercialized in the sales market of commercial vehicles. In 2021, fuel cell systems accounted for approximately 0.8% of the total sales volume of new energy systems for commercial vehicles in China, while lithium battery systems accounted for the rest of the total sales volume.

The China's fuel cell market is still in the early stage of development when compared to the lithium battery market due to a gap development period of nearly ten years. The lithium battery market has begun its development and industrialization since 2008 along with series of favorable government policies and subsidies. However, the fuel cell market has begun its development after 2015 when the first batch of fuel cell vehicles was successfully launched to the market.

Thus, the fuel cell market in China is still in the early stage of commercialization at present due to immature emerging technologies, relatively high cost, and developing infrastructure when compared to the lithium battery market. Immature emerging technologies may affect the quality and performance of fuel cell products. Relatively high costs of production and raw material may limit the profitability of fuel cell systems and vehicles manufacturers. And the hydrogen refueling stations in China are insufficient in number and their construction relies heavily on financial subsidies, impeding the application of fuel cell vehicles in the corresponding regions.

Key success factors of China's fuel cell system market

- **Advanced level of research and development capacity:** Mastering the R&D capabilities of core components of fuel cell systems enables companies to reduce the cost of key raw materials and fuel cell systems to better fulfill the demands of downstream customers, and gain competitive advantages in price to attract more customers.

- **First-mover advantage:** Through demonstration operations and joint cooperation on national-level R&D projects, first-movers can establish stable partnerships with vehicle manufacturers (especially with regional key customers) to promote products and build brand reputation.

- **Highly qualified technical experts:** The fuel cell system market is characterized by evolving industry standards, frequent new product launches and iterations, rapidly-developing technologies, and changing customer demands and expectations, which require qualified experts who possess a high level of technical expertise and industry experience. The quality of technical experts generally has a direct influence over the quality of products provided by a fuel cell system manufacturer.

- **Strong financial strength:** In a technology-driven industry, participants are required to invest sufficient capital in R&D, production and promotion, to bolster their competitive positioning.

- **Well-established relationships with suppliers and downstream industries:** A well-established cooperative relationship with manufacturers of fuel cell raw materials and other components and parts is essential for players in China's fuel cell system market to ensure a stable supply of raw materials and key components and parts with consistent quality and fair prices. Meanwhile, close cooperation with downstream industries such as manufacturers of fuel cell vehicles is equally important.

This section sets forth a summary of the significant laws and regulations that affect our business operations in China.

GOVERNMENT POLICIES RELATING TO FUEL CELLS

National Policy and Industry Guidance

Since the beginning of the 21st century, the Chinese government has begun to plan the development of hydrogen energy and fuel cell vehicle industry, constantly promoting the technology research and development and industrialization of hydrogen fuel cell vehicle. According to the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) promulgated by the SCNPC on November 1, 1997 and latest amended on October 26, 2018, the State encourages the development, production and use of environmental friendly cars, motorbikes, railway locomotives, ships and other transport vehicles, and implements the eliminating and refurbishing system to old transport vehicles. In addition, the State encourages the development, expansion and use of clean fuels and petroleum alternative fuels by transport vehicles. In December 2016, the 13th Five-Year Plan for the Development of National Strategic Emerging Industries* (《「十三五」國家戰略性新興產業發展規劃》) issued by the State Council clearly called for systematically promoting the research and development and industrialization of fuel cell vehicles, strengthening the research on basic materials and process mechanism of fuel cells, promoting the research and development of key components of high-performance and low-cost fuel cell materials and systems as well as setting the goal of batch production and large-scale demonstration applications of fuel cells by 2020.

In November 2020, the State Council promulgated the Development Plan for New Energy Automobile Industry (2021–2035)* (《新能源汽車產業發展規劃(2021–2035年)》) and stipulated that by 2025, the sales volume of new energy automobiles will have reached about 20% of the total sales volume of new automobiles. By 2035, pure electric automobiles should have become the mainstream of newly sold automobiles, vehicles used in public fields will have been fully electrically driven, fuel-cell automobiles will have been commercialized, effectively promoting the improvement of energy conservation and emission reduction as well as the efficiency of the society. In December 2020, The State Council issued the White Paper on China's Energy Development in the New Era* (《新時代的中國能源發展》白皮書), proposing to accelerate the development of hydrogen energy industry chain technologies and equipment such as green hydrogen production, storage, transportation and application, and promote the development of hydrogen fuel cell technology and hydrogen fuel cell vehicle industry chain.

In October 2021, the State Council promulgated the Action Plan for Carbon Dioxide Peaking Before 2030* (《2030年前碳達峰行動方案》), which proposed to actively expand the application of new and clean energy in transportation, such as hydrogen power, and to boost the construction of infrastructure such as hydrogen refueling stations orderly, promoting the low-carbon transformation of transport vehicles in the form of hydrogen fuel on an on-going basis.

On March 23, 2022, the NDRC and the National Energy Administration issued the Medium and Long-term Development Plan for Hydrogen Industry (2021–2035) (《氫能產業發展中長期規劃(2021–2035年)》, the "**Plan**"), which sets the goals for the development of hydrogen energy industry in the next fifteen years. By 2025, the industry participants in China will master core technologies and manufacturing process, there will be around 50,000 fuel cell vehicles on the road, a number of hydrogen refueling stations will be constructed, and the hydrogen production from renewable energy will reach 100,000–200,000 tonnes/year to reduce carbon emission by one to two million tonnes/year. By 2030, China will have a relatively complete hydrogen energy industry with a technological innovation supporting system and a hydrogen production and supply system, which will sustainably help the country to peak carbon emission. By 2035, an industrial ecology of hydrogen energy with diversified application scenarios will be formed, and the proportion of renewable hydrogen energy in the total energy consumption will increase significantly.

In addition, the PRC government provided several key measures to promote the development of the hydrogen energy industry in the Plan, which includes (i) building technological innovation system for the hydrogen energy industry, including focusing on building an industry-wide platform to support technological innovations, continuously improving core technical capabilities, and building a professional team; (ii) coordinating the construction of hydrogen energy infrastructure, including constructing hydrogen production facilities based on local conditions, and steadily building a storage and transportation system and a hydrogen refueling network; (iii) orderly diversifying the application scenarios of hydrogen energy, including transportation, industrial use and others, and exploring a path to commercialization; and (iv) establishing and improving hydrogen energy policies by upgrading the hydrogen energy industry standards and supervising the industry to ensure safety.

Government Subsidies for NEV Purchasers and Sellers

On April 22, 2015, the MOF, the Ministry of Science and Technology, the MIIT, and the NDRC jointly issued the Circular on the Financial Support Policies on the Promotion and Application of New Energy Vehicles in 2016–2020* (《財政部、科技部、工業和信息化部、發展改革委關於2016–2020年新能源汽車推廣應用財政支持政策的通知》), which became effective on the same day. This circular provides that those who purchase NEVs specified in the Catalog of Recommended New Energy Vehicle Models for Promotion and Application* (《新能源汽車推廣應用工程推薦車型目錄》) by the MIIT from 2016 to 2020 may obtain subsidies from the PRC government. Pursuant to this circular, a purchaser may purchase an NEV from a seller by paying the original price minus the amount of subsidy, and the seller may obtain the subsidy from the government after such NEV is sold to the purchaser.

In April 2020, the aforesaid departments issued the Notice of Improving the Policies on Government Subsidies for Promotion and Application of New Energy Vehicles (《關於完善新能源汽車推廣應用財政補貼政策的通知》) to extend the subsidy policy for the purchase of new energy vehicles to the end of 2022 and adjust the policy for fuel cell vehicles to support the demonstration application of fuel cell vehicles.

In September 2020, the MOF, the MIIT, the Ministry of Science and Technology, the NDRC and the National Energy Administration, issued the Notice on Launching Fuel Cell Vehicle Demonstration Projects* (《關於開展燃料電池汽車示範應用的通知》), in which the subsidy policy for fuel cell vehicles has been adjusted to support the demonstration application of fuel cell vehicles. Eligible city clusters will be rewarded for tackling key industrial problems and demonstrating the application of key technologies of fuel cell vehicles, and such demonstration period is scheduled to be four years. During the demonstration period, the five abovementioned departments will adopt the method of "replacing subsidies with awards" and issue rewards to the demonstration city clusters depending on their respective progress and performance in tackling key industrial problems and demonstrating key technologies. The rewarded funds shall be used by local governments and enterprises as a whole for the industrialization of key core technologies of fuel cell vehicles, the recruitment of experts, and the demonstration and application of new models and technologies. The Notice sets out the requirements for the demonstration city clusters to achieve breakthroughs and industrialization of basic materials and key components for fuel cell vehicles during the demonstration period, for the end-user selling price for automotive hydrogen power not to exceed RMB35/kg, qualified fuel cell vehicles to exceed 1,000 units, and for the operation of more than 15 hydrogen refueling stations.

On August 13, 2021, the MOF, the MIIT, the Ministry of Science and Technology, NDRC and the National Energy Administration* issued the Notice on Starting Fuel-cell Vehicle Demonstration Application (《關於啟動燃料電池汽車示範應用工作的通知》), approving Beijing, Shanghai, Guangdong to start the implementation of the fuel cell vehicle demonstration application for a period of 4 years. The MOF, the MIIT, the Ministry of Science and Technology, NDRC and the National Energy Administration will commission expert committees and third-party institutions to guide and assess the demonstration application, and the assessment results will be the basis for the central finance to arrange reward funds for the demonstration cities. In December 2021, the five abovementioned departments went on to issue the Notice on the Commencement of Demonstration Application of New Fuel Cell Vehicles* (《關於啟動新一批燃料電池汽車示範應用工作的通知》) to approve the commencement of the implementation of the demonstration application of fuel cell vehicles in Hebei and Henan provinces and request to enhance the demonstration application of fuel cell vehicles in order to facilitate a replicable experience that can be popularized for the development of fuel cell vehicles.

The Local Policy

We mainly focus our business in cities and provinces such as Beijing, Shanghai, Hebei, Sichuan, Jiangsu, Shandong and Henan, where fuel cell vehicle supporting policies have been released.

Beijing

In August 2021, Beijing issued the Implementation Plan for Hydrogen Industry Development in Beijing (2021–2025)* (《北京市氫能產業發展實施方案(2021–2025年)》), which aims to cultivate up to eight leading enterprises in the hydrogen industry chain with international influence by 2023. In the field of transportation, construction of integrated hydrogen-refueling and gasoline stations and others will be promoted; 37 hydrogen refueling stations are planned to be built; and 3,000 fuel cell vehicles will be promoted. In addition, by 2025, up to fifteen hydrogen production chain leading enterprises with international influence are planned to be developed; up to four international first-class hydrogen industry research and development innovation platforms will be established; the industrial scale of the hydrogen energy industry chain in Beijing-Tianjin-Hebei Region is scheduled to reach RMB100 billion; and 37 hydrogen-refueling stations are planned to be completed and 10,000 units in aggregate of fuel cell vehicles will be promoted. In October 2021, Changping District, Beijing followed up the release of the Action Plan for the Innovative Development of Hydrogen Energy Industry in Changping District (2021–2025)* (《昌平區氫能產業創新發展行動計劃(2021–2025)》), specifying the targets for the construction of up to 15 hydrogen refueling stations, the promotion of 1,200 fuel cell vehicles and the revenue of the hydrogen energy industry to exceed RMB30 billion by 2025. The Daxing District People's Government of Beijing Municipality issued the Interim Measures for Promoting Development of Hydrogen Energy Industry in Daxing District* (《大興區促進氫能產業發展暫行辦法》) in December 2020, which proposed to accelerate the development of hydrogen energy industry in the region, support scientific and technological innovation of core component manufacturers, and establish differentiated subsidy policies for different application scenarios such as procurement of key components, procurement of fuel cell vehicles and development of hydrogen transportation in the region.

In December 2021, with Beijing as the leading city, the Beijing-Tianjin-Hebei fuel cell demonstration city cluster issued a series of policies, including the Implementation Plan for Beijing-Tianjin-Hebei Fuel Cell Vehicles Demonstration City Cluster* (《京津冀燃料電池汽車示範城市群實施方案》), which set the overall goal of establishing independent technological innovation, continuous development of the whole industry chain in a closed loop and coordinated industrial ecology with regional integration, and four sub-goals namely 100% localization of key technologies, construction of high-quality industrial clusters, promotion and application of vehicles, and creation of a friendly demonstration environment. During the demonstration period, the Beijing-Tianjin-Hebei fuel cell demonstration city cluster will complete eight technological breakthroughs regarding core components, the employ of not less than 5,300 fuel cell vehicles, the construction and operation of not less than 49 new hydrogen refueling stations, and the selling price of hydrogen not higher than RMB30/kg.

Hebei

In July 2020, Hebei Province issued the Three-Year Action Plan for the Cluster Development of Hydrogen Energy Industry Chain (2020–2022)* (《氫能產業鏈集群化發展三年行動計劃(2020–2022)》), which further refined the specific targets for industrial scale, core technologies, application fields and construction of hydrogen refueling stations in the next three years. In July 2021, Hebei Province issued the Development Plan of Hydrogen Energy Industry in Hebei Province for the "14th Five Year Plan" Period* (《河北省氫能產業發展「十四五」規劃》). It is planned that, by 2022, 25 hydrogen-refueling stations will be built, and 1,000 demonstration fuel cell buses and logistics vehicles and 100 demonstration fuel cell heavy-duty vehicles will be on the road. By 2025, a total of 100 hydrogen refueling stations will be built, and the number of fuel cell vehicles will reach 10,000. In June 2019, Zhangjiakou City of Hebei Province issued the Construction Plan of Hydrogen Energy in Zhangjiakou City for 2019–2035* (《氫能張家口建設規劃(2019–2035)》), specifying that the cumulative output value of hydrogen energy and related industries in the city will reach RMB6 billion in 2021, RMB26 billion in 2025, RMB85 billion in 2030 and RMB170 billion in 2035.

Shanghai

In February 2021, Shanghai issued the Implementation Plan for Accelerating the Development of New Energy Vehicle Industry in Shanghai for 2021–2025* (《上海市加快新能源汽車產業發展實施計劃(2021–2025年)》), which plans to achieve goals including construction and operation of over 70 hydrogen refueling stations and promotion of nearly 10,000 fuel cell vehicles in Shanghai by 2025. In November 2021, Shanghai issued the Policies on Supporting the Development of Fuel Cell Vehicle Industry in the City* (《關於支持本市燃料電池汽車產業發展若干政策》), proposing to increase the overall planning of financial funds. By the end of 2025, the municipal finance will contribute 1:1 financially together with the national fuel cell vehicle demonstration central financial reward funds. For those which support the demonstration application of vehicle products and the commencement of demonstration application in the city and whose core components meet the requirements of the evaluation indicators, an award will be given at the rate of 1 point to RMB200,000. For those which promote the industrialization of key components and start the R&D and production of core components in the city, an award will be given at the rate of 1 point to RMB30,000. To encourage innovative mode in key districts, incentive schemes have been set up to meet the operating mileage targets for trucks with different volume, and other specific support measures for the construction of hydrogen refueling stations, the reduction of hydrogen refueling costs and the improvement of the policy support for the whole industry chain.

Sichuan

In September 2020, Sichuan Province issued the Development Plan of Hydrogen Industry of Sichuan Province (2021–2025)* (《四川省氫能產業發展規劃(2021–2025)》), which proposed that by 2025, the number of fuel cell vehicles (including heavy trucks, medium and light logistics vehicles and buses) will reach 6,000, 60 hydrogen refueling stations of various types will be built and 25 leading domestic enterprises will be cultivated. To strengthen regional hydrogen cooperation on key tasks, it puts forward the "Chengdu-Neijiang-Chongqing Development Axis", to designate Chengdu as the leading force to promote the development of hydrogen application, fuel cell vehicle manufacturing and auto parts and hydrogen rail transit equipment industries in cities along the route, and jointly create the "Chengdu-Chongqing Hydrogen Corridor". According to Chengdu Hydrogen Energy Industry Development Plan (2019–2023)* (《成都市氫能產業發展規劃(2019–2023年)》), by 2023, Chengdu will promote and employ more than 2,000 fuel cell vehicles in buses, logistics vehicles, sanitation vehicles, taxis, official vehicles, shared cars and other fields. Two demonstration fuel cell tram lines will be constructed, with a total length of more than 30 kilometers; demonstration applications of fuel cells will be carried out in drones, distributed energy, ship and various power sources. More than 30 hydrogen refueling stations will be constructed covering the whole region of Chengdu. In May 2022, the Chengdu Municipal Bureau of Economy and Information Technology issued Energy Development Plan in Chengdu for the "14th Five Year Plan" Period* (《成都市「十四五」能源發展規劃》), which plans to build China's "Green Hydrogen Capital" and strive to plan and build (including reconstruction and expansion) 40 hydrogen refueling stations (including integrated energy stations with hydrogenation functions). In May 2022, the Chengdu Municipal Bureau of Economy and Information Technology issued the Chengdu New Energy Vehicle Industry Development Plan (2022–2025) (Draft for Comments)* (《成都市新能源汽車產業發展規劃》), Chengdu will declare a fuel cell vehicle demonstration city cluster and strive to create a national fuel cell vehicle demonstration city. By 2025, Chengdu strives to promote 5,000 new hydrogen fuel cell vehicles.

Jiangsu

In November 2021, Jiangsu Province issued the Development Plan for the New Energy Vehicle Industry in Jiangsu Province for the "14th Five Year Plan" Period* (《江蘇省「十四五」新能源汽車產業發展規劃》). By 2025, more than 100 commercial hydrogen refueling stations will be constructed and the number of fuel cell vehicles will exceed 4,000. In March 2018, Suzhou issued the Guiding Opinions on the Development of Suzhou Hydrogen Industry (Trial)* (《蘇州市氫能產業發展指導意見(試行)》), which proposed that from 2021 to 2025, large-scale and commercial use of hydrogen energy will be popularized, and 40 hydrogen-refueling stations will be built, with fuel cell buses, logistics vehicles, the number of sanitation vehicles and passenger vehicles in operation reaches 10,000 units. In January 2021, Suzhou issued the White Paper on Hydrogen Energy and Fuel Cell Industry Development Plan and Hydrogen Energy Industry Development* (《氫能及燃料電池產業發展規劃及氫能產業發展白皮書》), which proposed the long-term goals that by 2035, the revenue of hydrogen energy and fuel cell industry will exceed RMB100 billion, 70 hydrogen refueling stations will be built, and more than 10 internationally competitive enterprises will be cultivated.

Shandong

In July 2020, Shandong Province issued the Medium- and Long-term Development Plan of Hydrogen Energy Industry (2020–2030)* (《氫能產業中長期發展規劃(2020–2030)》), which proposed that the hydrogen energy industry will achieve the production capacity of 20,000 fuel cell systems and promote a total of 3,000 fuel cell vehicles during the initial starting period by 2022; the period from 2022 to 2025 will be an accelerated development period to achieve the production capacity of 50,000 fuel cell systems, while a total of 10,000 fuel cell vehicles will be promoted and a total of 100 hydrogen refueling stations will be built, striving to enter the advantage period of hydrogen energy industry by 2030. In September 2021, Zibo issued the Opinion on Further Encouraging the Hydrogen Energy Industry Development* (《關於進一步鼓勵氫能產業發展的意見》), which proposed the overall development goal of 400 hydrogen fuel cell vehicles by 2022 and 1,000 by 2025 in terms of operation scale, and formulated specific development requirements regarding hydrogen storage and refueling equipment, enhancement of supporting capacity of key components supply and stabilization of hydrogen energy supply systems.

Henan

In November 2021, Henan Province issued the Implementation Plan for Accelerating the Development of New Energy Vehicle Industry in Henan Province* (《河南省加快新能源汽車產業發展實施方案》), which proposed to support the demonstration application of hydrogen fuel cell vehicles across the province as driven by key city clusters such as Zhengzhou, Kaifeng, Luoyang and Jiaozuo, and accelerate the establishment of hydrogen refueling stations. By 2025, the total number of hydrogen fuel cell vehicles for demonstration applications will exceed 10,000 and the number of hydrogen refueling stations will surpass 100.

REGULATIONS ON PRODUCT LIABILITY

Pursuant to the PRC Product Quality Law (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and amended on December 29, 2018, a manufacturer is prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes personal injury or property damage, the aggrieved party may make a claim for compensation from the manufacturer or the seller of the product. Manufacturers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and fines. Earnings from sales in violation of such standards or requirements may also be confiscated, and in severe cases, an offender's business license may be revoked.

REGULATIONS ON FOREIGN INVESTMENT IN CHINA

Regulations on Foreign Investment Restrictions

Investment activities in China by foreign investors are principally governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment, or the Negative List, and the Catalog of Industries for Encouraging Foreign Investment, or the Encouraging Catalog, which were promulgated and amended from time to time by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalog classify industries into three categories with regard to foreign investment: (i) "encouraged", (ii) "restricted", and (iii) "prohibited". In December 2020, the MOFCOM and the NDRC jointly promulgated the Encouraged Foreign Investment Industry Catalog (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》), which became effective in January 2021, where "hydrogen fuel production, storage, transportation, liquefaction and fuel cell" industries are all covered by the "encouraged" category.

Foreign Investment Law

On March 15, 2019, the NPC promulgated the Foreign Investment Law (《外商投資法》), which came into effect on January 1, 2020 and replaced the Sino-foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中外合作經營企業法》), and the Wholly Foreign-owned Enterprise Law (《外資企業法》), together with their implementation rules and ancillary regulations. The

Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic-invested enterprises in China. The Foreign Investment Law establishes the basic framework for the access to, and the promotion, protection, and administration of foreign investments in view of investment protection and fair competition.

Pursuant to the Foreign Investment Law, "foreign investment" refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or otherwise organizations of a foreign country within China, or foreign investors, and the investment activities include the following situations: (i) a foreign investor, individually or collectively with other investors, establishes the foreign-invested enterprise (the "**FIE**") in China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other similar rights and interests of an enterprise within China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project in China; and (iv) investments in other means as provided by laws, administrative regulations, or the State Council.

Pursuant to the Foreign Investment Law, the State Council will publish or approve to publish a catalog for special administrative measures, or a "negative list", the Foreign Investment Law grants national treatment to FIEs, except for those FIEs that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list". Because the "negative list" has yet to be published, it is unclear whether it will differ from the current Special Administrative Measures for Market Access of Foreign Investment (Negative List). The Foreign Investment Law provides that FIEs operating in foreign restricted or prohibited industries will require market entry clearance and other approvals from relevant PRC governmental authorities.

Furthermore, the Foreign Investment Law provides that FIEs established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law.

In addition, the Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in China, including, among others, that local governments must abide by their commitments to the foreign investors; FIEs are allowed to issue stocks and corporate bonds; expropriation or requisition of the investment of foreign investors is prohibited except for special circumstances, in which case statutory procedures must be followed and fair and reasonable compensation must be made in a timely manner; mandatory technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon settlement by foreign investors in China may be freely remitted inward and outward in Renminbi or foreign currencies. Also, foreign investors or FIEs should be imposed legal liabilities for failing to report investment information in accordance with the requirements.

On December 26, 2019, the PRC State Council issued the Regulations on Implementing the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. The Regulations on Implementing the Foreign Investment Law restates certain principles of the Foreign Investment Law and further provides that, among others, (i) if the legal form or the governing structure of an FIE established prior to the effective date of the Foreign Investment Law does not comply with the compulsory provisions of the PRC Company Law (《中華人民共和國公司法》) or the PRC Partnership Enterprises Law (《中華人民共和國合夥企業法》), such FIE should complete amendment registration accordingly no later than January 1, 2025; if it fails to do so, the enterprise registration authority will not process other registration matters of the FIE and may publicize such non-compliance; and (ii) the provisions regarding transfer of equity interests, distribution of profits and remaining assets as stipulated in the joint venture contracts of an existing FIE may survive the Foreign Investment Law during its joint venture term.

REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

On June 10, 2021, the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "**SCNPC**") promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security.

On August 16, 2021, the Cyberspace Administration of China, the NDRC, the MIIT, the Ministry of Public Security and Ministry of Transport issued the Several Provisions on Automobile Data Security Management (Trial Implementation) (汽車數據安全管理若干規定(試行)) (the "**Trial Regulation**"). This Trial Regulation elaborates the principles and requirements for the safeguard of personal information, national security and public interest in the PRC automotive industry and is intended to regulate the data processing activities of any vehicle manufacturer as well as supplier and manufacture of vehicle parts and components in China, among others. An automotive data processor is required to comply with this Trial Regulation to collect, store and otherwise process the personal information or critical data involved in the process of design, production, sales, operation, maintenance, and service of vehicles. As advised by our PRC Legal Advisor, our collection, storage and processing of automotive data, such as operating data from our fuel cell systems sold for repair and maintenance purposes, comply with this Trial Regulation and are otherwise lawful; and we do not collect any personal information in our business or any critical data relating to our customers or end-customers of our products that are capable of endangering national security, or public or personal interests if they are tampered with, destroyed, leaked, or illegally obtained.

On November 14, 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) (the "**CAC**") initiated a public consultation on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulation**"). According to the Draft Regulation, a data processor shall apply for cyber security review and submit a data security assessment report before January 31 of each year when carrying out, among others, a Hong Kong listing, which affects or may affect national security. However, the Draft Regulation provides no further explanation or interpretation as to what amounts to "affect or may affect national security". As advised by our PRC Legal Advisor, the Draft Regulation has not been effective as of the Latest Practicable Date and therefore subject to further changes and interpretation, and the PRC government authorities may adopt a wide discretion in such interpretation. As advised by our PRC Legal Advisor, if the Draft Regulation takes effect in its current form, although the information we collected is mainly the information of our own products and does not involve any individual end users or information of individuals, due to the Listing, we need to fulfill the obligation of "conducting data security assessment once a year on our own or by entrusting a data security search institution, and submitting the previous year's data security assessment report to the municipal network information department divided into districts before January 31 of each year". Nevertheless, the Regulations on the Administration of Cyber Data Security (Draft for Comments) will not have a material adverse impact on the Group's business operations and the Listing (assuming the draft regulations are implemented in its current form).

On December 28, 2021, the Cybersecurity Review Measures (《網絡安全審查辦法》) was released by CAC and came into effect on February 15, 2022. As advised by our PRC Legal Advisor, according to the feedback from the CAC and based on the Cybersecurity Review Measures, only companies that go listing abroad may be involved in cyber security review related issues, and listing in Hong Kong is not a "listing abroad" situation, so the requirement under Cybersecurity Review Measures (《網絡安全審查辦法》) is not applicable to our Company and there is no need to conduct cyber security review declaration.

REGULATIONS ON LAND AND THE DEVELOPMENT OF CONSTRUCTION PROJECTS

Regulations on Land Grants

Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-owned Urban Land (《城鎮國有土地使用權出讓和轉讓暫行條例》), which was promulgated by the State Council on May 19, 1990 and last amended on November 29, 2020, a system of assignment and transfer of the right to use state-owned land was adopted. A land user must pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to use the land may transfer, lease out, mortgage, or otherwise commercially exploit the land within the term of use. Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-owned Urban Land and the PRC Urban Real Estate Administration Law (《中華人民共和國城市房地產管理法》), the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premium as provided in the assignment contract. After the full payment of the land premium, the land user must register with the land administration authority and obtain a land use rights certificate that evidences the acquisition of land use rights.

Regulations on Planning of a Construction Project

Pursuant to the Regulations on Planning Administration Regarding Assignment and Transfer of the Rights to Use of the State-owned Land in Urban Area* (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992 and amended in January 2011, a construction land planning permit should be obtained from the municipal planning authority with respect to the planning and use of land. Pursuant to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007 and amended on April 24, 2015 and April 23, 2019, a construction work planning permit must be obtained from the competent urban and rural planning government authority for the construction of any structure, fixture, road, pipeline, or other engineering project within an urban or rural planning area.

After obtaining a construction work planning permit, subject to certain exceptions, a construction enterprise must apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above pursuant to the Administrative Provisions on Construction Permit of Construction Projects* (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on June 25, 2014, implemented on October 25, 2014, and last amended on March 30, 2021.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure* (《房屋建築工程和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction on April 4, 2000 and last amended on October 19, 2009, and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure* (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the Ministry of Housing and Urban-Rural Development on December 2, 2013, upon the completion of a construction project, the construction enterprise must submit an application to the competent government department at or above county level where the project is located for examination upon completion of building and for filing purpose, and to obtain the filing form for acceptance and examination upon completion of construction project.

REGULATIONS ON ENVIRONMENTAL PROTECTION AND WORK SAFETY

Regulations on Environmental Protection

Pursuant to the PRC Environmental Protection Law (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014, and effective on January 1, 2015, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gas, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

Environmental protection authorities impose various administrative penalties on persons or enterprises in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within a prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down enterprises. Any person or entity that pollutes the environment resulting in damage could also be held liable under the PRC Civil Code (《中華人民共和國民法典》). In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

The Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》), which was promulgated by the Ministry of Environmental Protection on January 10, 2018, and amended on August 22, 2019, stipulates that a pollutant discharging entity shall hold a pollutant discharge license in accordance with the law, and discharge pollutants in compliance with the pollutant discharge license. Any entity that fails to obtain a pollutant discharge license as required shall not discharge pollutants.

The Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated by the State Council on October 2, 2013 and came into effect on January 1, 2014, stipulates that units and individuals that discharge pollutants within the coverage of urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the State. Enterprises, public institutions and individual industrial and commercial households engaged in industrial activities that discharge sewage into urban drainage facilities shall apply to the competent urban drainage department for obtaining a Permit for Discharging Sewage into Drainage Pipelines (污水排入排水管網許可證). The competent urban drainage department shall, according to the relevant standards of the State, focus on the examination of the matters that affect the safe operation of urban drainage and sewage disposal facilities.

Regulations on Work Safety

Under relevant construction safety laws and regulations, including the PRC Work Safety Law (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, last amended on June 10, 2021, and effective on September 1, 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards. Automobile and components manufacturers are subject to such environment protection and work safety requirements.

The Regulations on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) which was promulgated by the State Council on January 26, 2002 and amended on March 2, 2011 and December 7, 2013, respectively, stipulates that the production, storage, use, operation, and transportation of hazardous chemicals must be in accordance with the safety management regulations. The hazardous chemical units shall oblige to the safety conditions required by laws and administrative regulations and state and industry standards, establish and improve safety management rules and position safety responsibility systems, and provide safety education and legal education and occupation technical training for employees. Employees should accept such education and training, and may begin working only after qualifying the relevant assessment. Where it requires employees to have certain qualification to assume a position, an enterprise shall only designate employees having such qualification to assume the position.

Registration for Use of Special Equipment

According to the Law of the PRC on the Safety of Special Equipment (《中華人民共和國特種設備安全法》) promulgated by the SCNPC on June 29, 2013 and the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) promulgated by the State Council on March 11, 2003 and amended on January 24, 2009, a special equipment catalog shall be formulated by the department of the State Council that is in charge of the safety supervision and administration of special equipment. Entities using special equipment listed in the catalog shall use special equipment that has been issued the production license and that has passed inspection. An entity using special equipment shall, before or within thirty days after using special equipment, go through registration with the safety supervision and administration of special equipment.

REGULATIONS ON FIRE SAFETY

Pursuant to the PRC Fire Prevention Law (《中華人民共和國消防法》), which was promulgated by the SCNPC on April 29, 1998, and last amended on April 29, 2021, and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project* (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, which became effective on June 1, 2020, the construction entity of a large-scale crowded venue (including the construction of a manufacturing plant whose size is over 2,500 square meters) and other special construction projects must apply for fire prevention design review with fire control authorities, and complete fire assessment inspection and acceptance procedures after the construction project is completed. The construction entity of other construction projects must complete the filing for fire prevention design and the fire safety completion inspection and acceptance procedures within five business days after passing the construction completion inspection and acceptance. If the construction entity fails to pass the fire safety inspection before such venue is put into use or fails to conform to the fire safety requirements after such inspection, it will be subject to (i) orders to suspend the construction of projects, use of such projects, or operation of relevant business, and (ii) a fine between RMB30,000 and RMB300,000.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent Law

According to the PRC Patent Law (《中華人民共和國專利法》) which was promulgated by the SCNPC on March 12, 1984 and last amended on October 17, 2020, "invention-creations" means inventions, utility models and designs. An invention or utility model for which a patent is to be granted shall be novel, inventive and practically applicable. Without permission of the patentee, no individual or entities may exploit the patent.

Regulations on Copyright

The PRC Copyright Law (《中華人民共和國著作權法》), which was promulgated on September 7, 1990 and last amended on November 11, 2020, provides that Chinese citizens, legal entities, or other organizations, whether published or not, shall enjoy copyright in accordance with the Copyright Law. Works include, among others, computer software, works of fine art, drawings of engineering designs and product designs and other graphic works as well as model works. Except as otherwise provided in the Copyright Law, copying, distributing, performing, screening, broadcasting, compiling, or distributing through the information network the work to the public, without the permission of the copyright owner, constitutes an infringement of the copyright.

Pursuant to the Computer Software Copyright Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, the software copyright owner may go through the registration formalities with a software registration authority recognized by the State Council's copyright administrative department. The software copyright owner may authorize others to exercise that copyright and is entitled to receive remuneration.

Trademark Law

Trademarks are protected under the PRC Trademark Law (《中華人民共和國商標法》), which was promulgated on August 23, 1982 and effective on March 1, 1983, last amended on April 23, 2019 by the SCNPC, and the Implementation Regulations for the PRC Trademark Law (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on August 3, 2002, became effective on September 15, 2002 and amended on April 29, 2014. The Trademark Office handles trademark registrations including goods trademarks, service trademarks, collective marks, and certification marks. A trademark registrant shall have the right to exclusively use the registered trademarks, which is protected by law. Any natural person, legal entities, or other organizations needing to acquire the right to exclusively use a trademark on the goods or services thereof in the course of business operations shall apply to the Trademark Office for trademark registration.

Regulations on Internet Domain Names

The MIIT promulgated the Measures on Administration of Internet Domain Names* (《互聯網域名管理辦法》) on August 24, 2017, which became effective on November 1, 2017. Pursuant to this measure, the domain names used by those engaging in internet information services shall comply with laws and regulations and the relevant provisions of telecommunications administrations, and no domain name could be used to commit any illegal act.

REGULATIONS ON FOREIGN EXCHANGE

General Administration of Foreign Exchange

Under the Regulations of the PRC on the Management of Foreign Exchange (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996, came into effect on April 1, 1996 and last amended on August 5, 2008, Renminbi is convertible into other currencies for current account items, such as trade-related receipts and payments and payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for capital account items, such as direct equity investments, loans, and repatriation of investment, requires the prior approval from SAFE or its local office.

Payments for transactions that take place in China must be made in Renminbi. Unless otherwise approved, PRC companies may not repatriate foreign currency payments received from abroad or retain the same abroad. FIEs may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by SAFE or its local branch. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaged in settlement and sale of foreign exchange pursuant to relevant SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

Pursuant to the Circular of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment* (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which was promulgated on November 19, 2012, became effective on December 17, 2012 and last amended on December 30, 2019, approval of SAFE is not required for opening a foreign exchange account and depositing foreign exchange into the accounts relating to the direct investments. This circular also simplifies foreign exchange-related registration required for foreign investors to acquire equity interests of PRC companies and further improve the administration on foreign exchange settlement for FIEs.

The Circular on Further Simplifying and Improving the Direct Investment related Foreign Exchange Administration Policies* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which became effective on June 1, 2015 and was amended on December 30, 2019, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

The Circular on Reforming the Management Approach Regarding the Settlement of Foreign Capital of Foreign-Invested Enterprise* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which was promulgated on March 30, 2015, became effective on June 1, 2015 and was amended on December 30, 2019, provides that an FIE may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange administration has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the account). Pursuant to this circular, for the time being, FIEs are allowed to settle 100% of their foreign exchange capital on a discretionary basis; an FIE should truthfully use its capital for its own operational purposes within the scope of its business; where an ordinary FIE makes domestic equity investment with the amount of foreign exchanges settled, the FIE must first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange administration or the bank at the place where it is registered.

The Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which was promulgated and became effective on June 9, 2016, provides that enterprises registered in China may also convert their foreign debts from foreign currency into Renminbi on a self-discretionary basis. This circular also provides an integrated standard for conversion of foreign exchange under capital account items (including, but not limited to, foreign currency capital and foreign debts) on a self-discretionary basis, which applies to all enterprises registered in China.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which, among other things, allows all FIEs to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since this circular is relatively new, it is unclear how SAFE and competent banks will carry it out in practice.

Pursuant to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business* (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated and effective on April 10, 2020 by SAFE, the reform of facilitating the payments of incomes under the capital accounts will be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt, and overseas listing, for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

According to the Regulation of the People's Republic of China on the Administration of the Registration of Market Entities* (《中華人民共和國市場主體登記管理條例》), which were promulgated by the State Council on July 27, 2021 and became effective on March 1, 2022, and other laws and regulations governing FIEs and company registrations, the establishment of an FIE and any capital increase and other major changes in an FIE should be registered with the SAMR or its local counterparts and filed via the enterprise registration system.

Pursuant to SAFE Circular 13 and other laws and regulations relating to foreign exchange, when setting up a new FIE, the enterprise should register with the bank located at its registered place after obtaining the business license, and if there is any change in capital or other changes relating to the basic information of the FIE, including, without limitation, any increase in its registered capital or total investment, the FIE must register such changes with the bank located at its registered place after obtaining approval from or completing the filing with relevant authorities. Pursuant to the relevant foreign exchange laws and regulations, such foreign exchange registration with the banks will typically take less than four weeks upon the acceptance of the registration application.

Based on the foregoing, if we intend to provide funding to our wholly foreign-owned subsidiaries through capital injection at or after their establishment, we must register the establishment of and any follow-on capital increase in our wholly foreign-owned subsidiaries with the SAMR or its local counterparts, file such via the enterprise registration system, and register such with the local banks for the foreign exchange related matters.

Laws and Regulations Relating to Customs, Import and Export

The Foreign Trade Law of the PRC, which was last amended on November 7, 2016 and the Measures for the Filing and Registration of Foreign Trade Business Operators, which was last amended on May 10, 2021, require that foreign trade operators who engage in the import or export of goods or technologies must register in accordance with the rules and obtain the Registration Form of Foreign Trade Business Operators. In accordance with the Customs Law of the PRC, which was last amended on April 29, 2021, the Regulation of the PRC on the Administration of the Import and Export of Goods, which took effect on January 1, 2002, and the Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities, which took effect on January 1, 2022, a consignee or consignor of imported/exported goods may make customs declaration itself after registration with the Customs or entrust it to a customs declaration agent which has been registered with the Customs for making declaration.

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal laws and regulations regulating the distribution of dividends by FIEs in China include the PRC Company Law, the PRC Foreign Investment Law and Regulations on Implementing the Foreign Investment Law. Under the current regulatory regime in China, FIEs in China may pay dividends only out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as statutory reserve funds at least 10% of its after-tax profit, until the cumulative amount of such reserve funds reaches 50% of its registered capital unless laws regarding foreign investment provide otherwise. A PRC company cannot distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS ON TAXATION

Enterprise Income Tax

On March 16, 2007, the SCNPC promulgated the EIT Law, which became effective on January 1, 2008 and last amended on December 29, 2018, pursuant to which the income tax rate for resident enterprises is 25% commencing from January 1, 2008 (with certain exceptions for qualified enterprises). In order to clarify certain provisions in the EIT Law, on December 6, 2007, the State Council promulgated the Implementation Rules on the EIT Law (《中華人民共和國企業所得稅法實施條例》) (the "**EIT Implementation Rules**"), which became effective on January 1, 2008 and last amended on April 23, 2019. Pursuant to the EIT Law and the EIT Implementation Rules, both resident enterprises and non-resident enterprises are subject to a uniform corporate income tax rate of 25%, among which the enterprise income tax rate will be 15% for enterprises with the certificate of "High-tech

Enterprise". However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment or premises in China but there is no actual relationship between the relevant income derived in China and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from inside the PRC.

Value-Added Tax

The PRC Provisional Regulations on Value-Added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993, which became effective on January 1, 1994 and last amended on November 19, 2017; and the Implementation Rules of the PRC Provisional Regulations on Value-Added Tax (2011 Revision)* (《中華人民共和國增值稅暫行條例實施細則》(2011年修訂)) was promulgated by the MOF on December 25, 1993, and became effective on November 1, 2011 and last amended on October 28, 2011. On November 19, 2017, the State Council promulgated the Decisions on Abolishing the PRC Provisional Regulations on Business Tax and Amending the PRC Provisional Regulations on Value-Added Tax* (《國務院關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》). Pursuant to these regulations, rules and decisions, all enterprises and individuals engaged in sale of goods, provision of processing, repair, and replacement services, sales of services, intangible assets, real property, and the importation of goods within the PRC territory are VAT taxpayers. On March 20, 2019, the MOF, the SAT, and the General Administration of Customs jointly issued the Announcement on Relevant Policies on Deepen the Reform of Value-Added Tax* (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》). Pursuant to this announcement, the generally applicable VAT rates are simplified as 13%, 9%, 6%, and 0%, which became effective on April 1, 2019, and the VAT rate applicable to the small-scale taxpayers is 3%.

Dividend Withholding Tax

The EIT Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC-resident investors that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within China.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Tax Evasion* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) promulgated by the SAT on August 21, 2006, the tax rate on dividends declared by a PRC resident enterprise to a Hong Kong resident enterprise is no more than 5%, if the Hong Kong resident enterprise holds at least 25% of the PRC enterprise. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated on February 20, 2009, if the relevant PRC tax authorities determine, in their discretions, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Pursuant to the Circular on Several Questions regarding the "Beneficial Owner" in Tax Treaties* (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》), which was promulgated on February 3, 2018 by the SAT and became effective on April 1, 2018, when determining the applicant's status as the "beneficial owner" regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counter party country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analyzed according to the actual circumstances of the specific cases. This circular further provides that an applicant who intends to prove his or her status as the "beneficial owner" must submit the relevant documents to the relevant tax bureau pursuant to the SAT's Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》).

Tax on Indirect Transfer

On February 3, 2015, the SAT issued the Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》)* (the "**SAT Circular 7**"). Pursuant to SAT Circular 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC-resident enterprises, may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a "reasonable commercial purpose" in the transaction arrangement, features to be taken into consideration include, *inter alia*, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. Pursuant to SAT Circular 7, where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. SAT Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange.

On October 17, 2017, the SAT issued the Circular on Issues of Tax Withholding Regarding Non-PRC-resident Enterprise Income Tax (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》)* (the "**SAT Circular 37**"), which was amended by the Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents (《國家稅務總局關於修改部分稅收規範性文件的公告》) issued on June 15, 2018 by the SAT. SAT Circular 37 further elaborates the relevant implemental rules regarding the calculation, reporting, and payment obligations of the withholding tax by the non-resident enterprises. Nonetheless, there remain uncertainties as to the interpretation and application of SAT Circular 7. SAT Circular 7 may be determined by the tax authorities to be applicable to our offshore transactions or sale of our shares or those of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》), promulgated by the SCNPC on July 5, 1994, took effect on January 1, 1995 and last amended on December 29, 2018, employers should enter into labor contracts with their employees in accordance with the principle of fairness, negotiation and mutual consensus. They must establish and perfect its labor safety and sanitary system and strictly execute the national labor safety sanitary rules and standards, conduct labor safety and sanitary education for workers or employees, prevent accidents arising in the course of employment and reduce occupational injuries. In addition, the company and its workers or employees must participate in social insurance schemes and pay the insurance premiums.

Labor Contract Law

The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which became effective on January 1, 2008 and amended on December 28, 2012, primarily sets out specific provisions in relation to the rights and obligations of employers and employees, including but not limited to the establishment, performance, and termination of labor contracts. At the time of hiring, the employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

Social Insurance

As required under the Regulation on Work-related Injury Insurance* (《工傷保險條例》) implemented on January 1, 2004 and amended in 2010, the Trial Measures on Maternity Insurance of Enterprise Employees* (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions of the State Council on Establishing a Unified System of the Basic Pension Insurance for Employees* (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions of the State

Council on Establishing the Basic Medical Insurance System for Urban Employees* (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Regulation on Unemployment Insurance* (《失業保險條例》) promulgated on January 22, 1999, and the PRC Social Insurance Law (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, employers are required to pay for their employees a social insurance premium. These payments are made to local administrative authorities and any employer who fails to make social insurance contributions may be fined and be ordered to make up for the outstanding contributions. On July 20, 2018, the General Office of the State Council issued the Plan for Reforming the State and Local Tax Collection and Administration Systems (《國稅地稅徵管體制改革方案》), which stipulated that the SAT will become solely responsible for collecting social insurance premiums.

Housing Provident Funds

In accordance with the Regulations on the Management of Housing Provident Funds* (《住房公積金管理條例》), which was promulgated by the State Council and came into effect on April 3, 2019 and last amended on March 24, 2019, all business entities (including foreign invested enterprises) are required to register with the local housing provident funds management center and then maintain housing fund accounts with designated banks and pay the related funds for their employees. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. The payment rate may be raised if the employer so desires.

OVERVIEW

We are a leading provider of fuel cell systems in China, focusing on the design, development and manufacture of fuel cell systems and stacks (a key component of the system) mainly for the commercial vehicles, such as buses and trucks. In 2012, our Company was incorporated under the name of Beijing Sinohytec Limited (北京億華通科技有限公司) by Mr. Zhang, Mr. Li Jianqiu (李建秋先生), Mr. Zhang He (張禾先生) and Mr. Zhou Pengfei (周鵬飛先生). Since our establishment in 2012, we have been the pioneer in the R&D and commercialization of fuel cell systems in China. We started batch production in 2016 and we are one of the first companies in China that commercialized fuel cell systems and stacks with proprietary intellectual property rights. We participated in various national-level fuel cell R&D projects in China, and also participated in the fuel cell vehicle development and commercialization scheme of the United Nations Development Programme in China.

In August 2015, our Company was converted into a joint stock company with limited liability and renamed as Beijing SinoHytec Co., Ltd. (北京億華通科技股份有限公司). With a view to improving our corporate governance and brand awareness and obtaining financing, our Company applied for quotation on the NEEQ. During the period from January 2016 to June 2020, our Shares were quoted on the NEEQ. Having considered our future corporate development and opportunities that can be offered by the SSE STAR Market, we withdrew quotation on the NEEQ in June 2020. In the same year, our A Shares were listed on the SSE STAR Market.

OUR KEY MILESTONES

The key milestones in the development of our Group are set out below:

Year	Event
2012	Establishment of our Company under the name of Beijing Sinohytec Limited, primarily engaging in R&D, manufacturing and sales of fuel cell systems
2013-2015	R&D and introduction of 35kW fuel cell system
2015	Acquisition of Shanghai SinoFuelCell by our Company to develop fuel cell stack technology
	Conversion into a joint stock company and renaming of our Company as Beijing SinoHytec Co., Ltd.
2016	Quotation of our Company on the NEEQ
2017	Completion of construction of Beijing Hydrogen Fuel Cell System Engineering Technology Research Center

Year	Event
2019	Establishment of Shanghai Maximfuelcell, our associate company, for R&D and manufacturing of MEA
	Awarded First Prize for the "China Automotive Industry Science and Technology Award"
	Joining the Hydrogen Council (國際氫能委員會)
2020	Withdrawal of quotation on the NEEQ and listing of our Company on the SSE STAR Market with the stock code of 688339
	Establishment of United Fuel Cell in joint efforts with China FAW, Dongfeng Group, GAC Group, BAIC Group, and Toyota
2021	R&D and introduction of 80kW, 100kW, 120kW, 150kW and 240kW fuel cell system
	Establishment of Toyota Sinohytec in joint efforts with Toyota

OUR INCORPORATION

Our Company was incorporated in the PRC on July 12, 2012 as a limited liability company with a registered capital of RMB5 million, funded primarily by our initial shareholders with their personal resources. At the time of incorporation, our Company was owned as to 50%, 25%, 20% and 5% by Mr. Zhang, Mr. Li Jianqiu, Mr. Zhang He and Mr. Zhou Pengfei, respectively. Details of the background of Mr. Zhang and Mr. Zhang He are set out in the section headed "Directors, Supervisors and Senior Management" in this prospectus. Mr. Li Jianqiu is a professor in Tsinghua University in China and was our manager. He transferred all his 25% equity interest in our Company to Mr. Zhang on April 1, 2013. Mr. Zhou Pengfei is an employee in the advanced technology research department of our Company and was our Supervisor.

OUR MAJOR CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS

1. Conversion into a joint stock company in August 2015 and previous quotation on the NEEQ in January 2016

On August 4, 2015, upon registration with the Beijing Administration for Industry and Commerce, our Company was converted into a joint stock company with a registered capital of RMB13,994,700 and was renamed as Beijing SinoHytec Co., Ltd. RMB13,994,700 of the audited net assets of our Company as of May 31, 2015 was converted into 13,994,700 Shares of RMB1.00 per Share.

The shareholding structure of our Company immediately after the completion of the conversion into a joint stock company was as follows:

Name of the Shareholder	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Zhang	7,000,000	50.02
Mr. Zhang He	1,500,000	10.72
Shuimu Sail Venture	1,428,600	10.21
Shuimu Changfeng	1,049,600	7.50
Beijing Shuimu Zhancheng Investment Center (L.P.) (北京水木展程投資中心(有限合夥))[(1)]	699,700	5.00
Guotai Junan Innovation Investment Co., Ltd (國泰君安創新投資有限公司)[(2)]	583,600	4.17
Mr. Zhou Pengfei	500,000	3.57
Beijing Shuimu Qicheng Venture Capital Center (L.P.) (北京水木啓程創業投資中心(有限合夥)) ("**Shuimu Qicheng**")[(3)]	460,053	3.29
Mr. Zhou Yicong (周一聰先生)[(4)]	400,000	2.86
Shanghai Manlu Investment Management Partnership (L.P.) (上海曼路投資管理合夥企業(有限合夥))[(5)]	233,200	1.67
Ms. Xiao Zhen (肖震女士)[(4)]	139,947	1.00
Total	13,994,700	100.00

(1) Beijing Shuimu Zhancheng Investment Center (L.P.) is a limited partnership established in the PRC in 2014. Its general partner is Shenzhen Shuimu Yide Investment Management Partnership (L.P.) (深圳水木易德投資管理合夥企業（有限合夥）), an Independent Third Party.

(2) Guotai Junan Innovation Investment Co., Ltd is an investment company established in the PRC and is a wholly-owned subsidiary of Guotai Junan Securities Co., Ltd., an Independent Third Party.

(3) Shuimu Qicheng is a limited partnership established in the PRC in 2012. Its general partner is Shuimu Chuangxin which also owns 27.71% interest in Shuimu Qicheng.

(4) Each of Mr. Zhou Yicong and Ms. Xiao Zhen is an Independent Third Party.

(5) Shanghai Manlu Investment Management Partnership (L.P.) is a limited partnership established in the PRC in 2015. Its general partner is Ms. Chen Yuzhen (陳玉珍女士), an Independent Third Party.

With a view to improving our corporate governance and brand awareness, our Company applied for quotation on the NEEQ. On November 19, 2015, our Company received approval for the Shares to be quoted on the NEEQ with the stock code of 834613 and trading was commenced on January 13, 2016.

2. Non-public offerings from January 2016 to April 2019 and capitalization issue in December 2017

In order to obtain financing to further develop our business, during our quotation on the NEEQ, we underwent five rounds of non-public offerings as well as capitalization issue from January 2016 to April 2019.

In January 2016, our Company completed the first non-public offering of 1,399,689 Shares and 155,521 Shares to Kangrui Yingshi and Mr. Lv Guan (吕貫先生), respectively, at RMB19.29 per Share and for gross proceeds of RMB30,000,000. Mr. Lv Guan is an Independent Third Party. Upon completion of such non-public offering, our registered share capital was increased to RMB15,549,910.

In June 2016, our Company completed the second non-public offering of 1,554,991 Shares at RMB9.0 per Share and for gross proceeds of RMB13,994,919 to our key employees, including Directors and senior management. The offer price per Share of the second non-public offering was lower than that of the first non-public offering because the Shares were offered to our key employees under the second non-public offering. The following table sets out the details of the second non-public offering:

Name of the subscriber	Current position	Number of Shares subscribed
Ms. Song Haiying (宋海英女士)	Executor Director, deputy general manager and chief financial officer of our Company	622,222
Mr. Zhang	Chairman of the Board, executive Director and general manager of our Company	427,215
Mr. Yu Min (于民先生)	Deputy general manager of our Company	111,111
Mr. Kang Zhi (康智先生)	Secretary to the Board	77,777
Ms. Dai Dongzhe (戴東哲女士)	Executive Director and deputy general manager of our Company	72,222
Two key employees		244,444
	Total	1,554,991

Upon completion of such non-public offering, our registered share capital was increased to RMB17,104,901.

In November 2016, our Company completed the third non-public offering of 2,052,687 Shares at RMB58.46 per Share for gross proceeds of RMB120,000,082, among which 855,286 Shares, 641,464 Shares, 342,115 Shares and 213,822 Shares were issued to Guochuang High-tech, Zhuhai Xingzhan, Beijing Dongsheng and Zhejiang Kangsheng, respectively. Upon completion of such non-public offering, our registered share capital was increased to RMB19,157,588.

In October 2017, our Company completed the fourth non-public offering of 4,120,899 Shares at RMB78.0 per Share for gross proceeds of RMB321,430,122, among which 1,282,052 Shares, 650,000 Shares, 385,000 Shares, 367,900 Shares, 641,026 Shares, 512,821 Shares and 282,100 Shares were issued to Tunghsu Optoelectronic, Tsinghua Foundation, Sentian Airui, Suzhou Xinding, Gongqing Mastercard, Shenzhen Everbright and Xinhe Dingwei, respectively. Upon completion of such non-public offering, our registered share capital was increased to RMB23,278,487.

In December 2017, a sum of RMB23,278,487 standing to the capital reserve account of our Company was capitalized on the basis of 10 Shares for every 10 Shares by way of applying such sum in paying up in full RMB23,278,487 to the then existing shareholders of our Company. Upon completion of such capitalization issue, our registered share capital was increased to RMB46,556,974.

In April 2019, our Company completed the fifth non-public offering of 6,312,503 Shares at RMB48.0 per Share for gross proceeds of RMB303,000,144, among which 1,041,667 Shares, 1,041,667 Shares, 1,041,667 Shares, 625,000 Shares, 625,000 Shares, 416,668 Shares, 416,666 Shares, 416,666 Shares, 208,334 Shares, 208,334 Shares and 270,834 Shares were issued to Mr. Bai Wei (白瑋先生), Runwu Holding, Shenzhen Hanneng, Changjiang Zhixin, Henan Keyuan, Shuimu Yuanjing, Beijing Anpeng, Shenzhen Anpeng, Beijing Zhongguancun, Suzhou Qingyan and Suzhou Xinding, respectively. Mr. Bai Wei is an Independent Third Party. Upon completion of such non-public offering, our registered share capital was increased to RMB52,869,477.

3. Withdrawal of quotation on the NEEQ

With the aim of pursuing listing on the SSE STAR Market and our business strategy, on June 18, 2020, upon approval by the National Equities Exchange and Quotations Company Limited (全國中小企業股份轉讓系統有限責任公司) (the "**NEEQ Company**"), the Shares ceased to be quoted on the NEEQ (the "**NEEQ Withdrawal**").

During the period which our Shares were quoted on the NEEQ and up to the Latest Practicable Date, our Company did not receive any notice from the NEEQ Company alleging any material non-compliance incidents on the part of our Company. Our Directors confirm that, to their best knowledge and belief, during the period which our Shares were quoted on the NEEQ, our Company had no instance of non-compliance with the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation) and the rules of the NEEQ Company in all material respects and there is no matter that need to be brought to the attention of the Stock Exchange or the potential investors of our Company in relation to our compliance record on the NEEQ.

In addition, as advised by our PRC Legal Advisor, our Group, Directors and Supervisors (save as the decision letter issued by NEEQ to Ms. Song Haiying on June 11, 2020 as further disclosed in "Directors, Supervisors and Senior Management — Directors — Executive Directors") had not been subject to any administrative penalty, administrative supervision measures or self-regulatory measures by the NEEQ, the CSRC or other competent securities regulatory authorities during the period of our listing on the NEEQ up to our withdrawal of quotation on the NEEQ.

Based solely on the facts known to the Joint Sponsors through conducting reasonable due diligence in the circumstances, namely (a) review of relevant filings and announcements published on the website of the NEEQ during the period of our listing on the NEEQ up to our withdrawal of quotation on the NEEQ with the assistance of King & Wood Mallesons, the PRC legal advisor to the Joint Sponsors; (b) the Joint Sponsors' involvement in the CSRC approval process for the proposed Listing based on the information and documents made available to them; and (c) the confirmation to the Joint Sponsors given by our PRC Legal Advisor that our Group, our Directors and our Supervisors (save as the decision letter issued by NEEQ to Ms. Song Haiying on June 11, 2020 as further disclosed in "Directors, Supervisors and Senior Management — Directors — Executive Directors") had not been subject to any administrative penalty, administrative supervision measures or self-regulatory measures by the NEEQ, the CSRC or other competent securities regulatory authorities during the period of our listing on the NEEQ up to our withdrawal of quotation on the NEEQ, the Joint Sponsors (on the basis that there were no misrepresentations or omissions to the Joint Sponsors' due diligence enquiries) concur with our Directors' above confirmation in relation to the compliance record of our Group on the NEEQ.

4. Listing on the SSE STAR Market

As approved by the CSRC, our Company completed the initial public offering of 17,630,523 A Shares which were issued at an offer price of RMB76.65 per A Share, and our A Shares were listed on the SSE STAR Market under the stock code of 688339 on August 10, 2020 (the "**A Share Offering**"). Our Company raised gross proceeds of RMB1,351,379,587.95 from the A Share Offering. Upon completion of the A Share Offering, our registered share capital was increased to RMB70,500,000.

As of the Latest Practicable Date, our Company had not received any notice from the Shanghai Stock Exchange alleging any material non-compliance incidents on the part of our Company. Our Directors confirm, to their best knowledge and belief, that since the date of listing of the A Shares on the SSE STAR Market, our Company had no instance of non-compliance with the SSE STAR Market Listing Rules and the rules of the Shanghai Stock Exchange in all material respects and there is no matter that need to be brought to the attention of the Stock Exchange or the potential investors of our Company in relation to our compliance record on the Shanghai Stock Exchange.

In addition, as advised by our PRC Legal Advisor, our Group, our Directors and our Supervisors had not been subject to any administrative penalty, administrative supervision measures or self-regulatory measures by the Shanghai Stock Exchange, the CSRC or other competent securities regulatory authorities since the date of listing of our A Shares on the SSE STAR Market and up to the Latest Practicable Date.

Based solely on the facts known to the Joint Sponsors through conducting reasonable due diligence in the circumstances, namely (a) review of relevant filings and announcements published on the website of the Shanghai Stock Exchange since the date of listing of our A Shares on the SSE STAR Market and up to the Latest Practicable Date with the assistance of King & Wood Mallesons, the PRC legal advisor to the Joint Sponsors; (b) the Joint Sponsors' involvement in the CSRC approval process for the proposed Listing based on the information and documents made available to them; and (c) the confirmation to the Joint Sponsors given by our PRC Legal Advisor that our Group, our Directors and our Supervisors had not been subject to any administrative penalty, administrative supervision measures or self-regulatory measures by the Shanghai Stock Exchange, the CSRC or other competent securities regulatory authorities since the date of listing of our A Shares on the SSE STAR Market and up to the Latest Practicable Date, the Joint Sponsors (on the basis that there were no misrepresentations or omissions to the Joint Sponsors' due diligence enquiries) concur with our Directors' above confirmation in relation to the compliance record of our Group on the Shanghai Stock Exchange.

5. Non-public offering in August 2021

In order to obtain further financing for our business development, in August 2021, upon approval by the CSRC, our Company completed a non-public offering of 850,991 A Shares at RMB235.02 per Share and raised gross proceeds of RMB199,999,904.82. Upon completion of such non-public offering, our registered share capital was increased to RMB71,350,991.

6. Increase in registered capital in June 2022

In May 2022, our then Shareholders resolved to increase the share capital of our Company with capital reserves. An increase of four A Shares for every ten A Shares with a total of 28,540,396 new A Shares was issued on a pro rata basis to our then existing Shareholders in June 2022 by capitalizing a sum of RMB28,540,396 standing to the capital reserve account of our Company. Upon completion of such capitalization issue, our registered share capital was increased to RMB99,891,387.

Save as disclosed above, the considerations for all of the above-mentioned non-public offerings were determined based on arm's length negotiation between the relevant parties with reference to, among others, the then market price of our Company and were legally and irrevocably settled.

Our PRC Legal Advisor has confirmed that the increases in registered capital, conversion into joint stock company, quotation on the NEEQ and its withdrawal, non-public offerings of Shares and the A Share Offering as described above had been properly and legally completed, all applicable regulatory approvals were obtained and have complied with all applicable PRC laws and regulations in all material aspects.

OUR SHAREHOLDING STRUCTURE

The shareholding structure of our Company as of the Latest Practicable Date was as follows:

Name of the Shareholder	Number of A Shares held	Approximate percentage of shareholding (%)
Mr. Zhang	18,594,117	18.61
Yutong Bus	3,919,129	3.92
Tunghsu Optoelectronics	3,589,746	3.59
Industrial and Commercial Bank of China Co., Ltd. — Lion Growth Stock Securities Investment Fund (中國工商銀行股份有限公司 — 諾安成長股票型證券投資基金)(1)	2,921,178	2.92
Mr. Zhang He	2,800,000	2.80
Shuimu Sail Venture(2)	2,620,100	2.62
Zhuque Fund — Shaanxi Coal Industry Co., Ltd. — Shaanxi Coal Zhuque New Material Industry Phase II Single Asset Management Plan (朱雀基金 — 陝西煤業股份有限公司 — 陝煤朱雀新材料產業2期單一資產管理計劃)(1)	2,258,280	2.26
Shuimu Changfeng(2)	1,700,710	1.70
Mr. Bai Wei	1,458,334	1.46
Mr. Zhou Pengfei	1,400,000	1.40
Ms. Song Haiying	1,332,022	1.33
Shuimu Yuanjing(2)	1,313,305	1.31
Mr. Yu Min	319,736	0.32
Mr. Kang Zhi	220,296	0.22
Ms. Dai Dongzhe	207,822	0.21
Other A Shareholders	55,236,612	55.33
Total	**99,891,387**	**100.00**

(1) Each of Industrial and Commercial Bank of China Co., Ltd. — Lion Growth Stock Securities Investment Fund and Zhuque Fund — Shaanxi Coal Industry Co., Ltd. — Shaanxi Coal Zhuque New Material Industry Phase II Single Asset Management Plan is an Independent Third Party.

(2) Shuimu Chuangxin is the general partner for each of Shuimu Sail Venture, Shuimu Changfeng and Shuimu Yuanjing. Mr. Wu Yong, our Director, is the general partner of Shuimu Chuangxin, which is owned as to 10% and 80% by Mr. Wu Yong and Gongqingcheng Shuimu Guoxin Venture Capital Management Center (L.P.) (共青城水木國信創業投資管理中心(有限合夥)), respectively. Gongqingcheng Shuimu Guoxin Venture Capital Management Center (L.P.) is owned as to approximately 54.55% by Mr. Wu Yong.

OUR SUBSIDIARIES

Our Company has 14 subsidiaries in the PRC as of the Latest Practicable Date. The following table sets out the detailed information of our subsidiaries which we consider as material to us:

Name of subsidiary		Place of incorporation	Date of incorporation and commencement of business	Registered/Issued share capital	Principal business activities	Equity held by the Group as of the Latest Practicable Date
1	Shanghai SinoFuelCell	PRC	June 25, 1998	RMB84,952,654	R&D, manufacturing and sales of fuel cell stack and fuel cell testing equipment	25.60%(Note)
2	SinoHytec Power	PRC	November 4, 2016	RMB129,668,010	Manufacturing and sales of fuel cell system and related components	100%
3	Beijing Juxinghuatong Hydrogen Energy Technology Co., Ltd. (北京聚興華通氫能科技有限公司)	PRC	October 23, 2020 and June 30, 2021	RMB30,000,000	Manufacturing and sales of fuel cell system and related components	100%

Note:

Our Acquisition of Shanghai SinoFuelCell and 2017 and 2019 Capital Increases

In August 2015, we acquired 50.19% equity interest in Shanghai SinoFuelCell from Jiangsu Sunshine Holding Group Co., Ltd. (江蘇陽光控股集團有限公司), an Independent Third Party (the "**Acquisition**"). After the Acquisition, we appointed three out of five directors and key management team of Shanghai SinoFuelCell. Further, pursuant to the then Articles of Association of Shanghai SinoFuelCell, we have the power to appoint three out of five directors of Shanghai SinoFuelCell and the Articles of Shanghai SinoFuelCell can only be amended by two third of the votes in the shareholders' meeting, i.e. other shareholders of Shanghai SinoFuelCell would not be able to amend the Articles of Shanghai SinoFuelCell and alter our power to appoint majority of the board in the absence of our approval. We maintained majority equity interest in Shanghai SinoFuelCell until the capital injection of Shanghai Shenjie in Shanghai SinoFuelCell in December 2017 (the "**2017 Capital Increase**"). In the 2017 Capital Increase, the registered capital of Shanghai SinoFuelCell was increased to RMB45,913,200 with RMB9,182,640 subscribed by Shanghai Shenjie at the price of RMB3.2 per equity, amounting to a total investment amount of RMB29,384,448.

Immediately after the 2017 Capital Increase, Shanghai Shenjie held 20% equity interest in Shanghai SinoFuelCell, while we remained the single largest shareholder of Shanghai SinoFuelCell with equity interest of 40.15%.

Shanghai Shenjie is a limited partnership established in October 2017 as an investment entity and the employee shareholding platform of Shanghai SinoFuelCell, in order to incentivize key employees of Shanghai SinoFuelCell. Apart from being the employee shareholding platform of Shanghai SinoFuelCell, Shanghai Shenjie did not hold any other investments nor conduct any other businesses during the Track Record Period. The registered capital of Shanghai Shenjie is RMB1,000,000 and it is held as to 40% by Ms. Tu Ying (屠瑛女士), director of Shanghai SinoFuelCell and supervisor of Shanghai SinoFuelCell's wholly-owned subsidiaries Shanghai Shenrong New Energy Technology Co., Ltd. (上海神融新能源科技有限公司) ("**Shanghai Shenrong**"), Beijing Shenchuan Technology Co. Ltd (北京神椽科技有限公司) and Tangshan SinoFuelCell Co., Ltd. (唐山神力科技有限公司), 30% by Mr. Zhang He (張禾先生), our Supervisor and director of Shanghai SinoFuelCell and Shanghai Shenrong, and 30% by Mr. Gan Quanquan (甘全全先生), deputy general manager of Shanghai SinoFuelCell, who are all key personnel of Shanghai SinoFuelCell.

Subsequent to the 2017 Capital Increase, there was a capital change in Shanghai SinoFuelCell but we remained the single largest shareholder with more than one third equity interest until the capital injection of (i) Shuimu Yuanjing; (ii) Ms. Zang Xiaoqin (臧小勤女士), who is our Shareholder; and (iii) two Independent Third Parties, namely Shenzhen Junsheng Yuanshi Investment Enterprise (L.P.) (深圳君盛源石投資企業(有限合夥)) and Beijing Haiju Zhuli Venture Capital Center (L.P.) (北京海聚助力創業投資中心(有限合夥)) in Shanghai SinoFuelCell in March 2019 (the "**2019 Capital Increase**"). Immediately after the 2019 Capital Increase, the registered capital of Shanghai SinoFuelCell was increased to RMB58,969,765, and the equity interests of our Company and Shanghai Shenjie in Shanghai SinoFuelCell were diluted to 31.26% and 15.57%, respectively.

Entrustment Arrangement with Shanghai Shenjie

Our Company has been maintaining effective control in various matters of Shanghai SinoFuelCell since the Acquisition, including but not limited to corporate governance structure, resolutions in shareholders' meetings and board meetings, nomination, appointment and removal of directors and senior management, daily operation and management, provision of R&D support and management of product sales channels. As confirmed by Shanghai Shenjie, it undertook, commencing from the date of its capital injection in December 2017, to vote in favor of the shareholder resolutions proposed by the Company and the board of directors of Shanghai SinoFuelCell and Shanghai Shenjie has been supporting and maintaining the control of our Company in major affairs of Shanghai SinoFuelCell. After the 2019 Capital Increase, equity interest in Shanghai SinoFuelCell of our Company and Shanghai Shenjie, in aggregate, were diluted to below 50% and our Company and Shanghai Shenjie entered into a voting right entrustment agreement (the "**Entrustment Agreement**") dated March 19, 2019 to formalize the support of Shanghai Shenjie in maintaining our control in Shanghai SinoFuelCell and in recognition of business performance and prospects of Shanghai SinoFuelCell under our control, as well as safeguarding the long term and stable development of Shanghai SinoFuelCell.

Pursuant to the Entrustment Agreement, Shanghai Shenjie agreed to unconditionally and irrevocably entrust our Company to exercise any rights corresponding to its equity interest in Shanghai SinoFuelCell, including but not limited to voting right and nomination right exclusive of gain, dividend and disposal right, commencing from March 19, 2019 until both parties mutually agree to terminate the Entrustment Agreement and such period shall not be less than five years (the "**Entrustment Arrangement**"). According to the Entrustment Agreement, our Company can solely and absolutely exercise the entrusted voting rights in relation to any shareholders' resolution of Shanghai SinoFuelCell without further authorization from Shanghai Shenjie. Therefore, we were able to exercise 46.83% voting rights in Shanghai SinoFuelCell, comprising 31.26% held by our Company and 15.57% entrusted to us by Shanghai Shenjie under the Entrustment Arrangement. Subsequently, our Company has entered into a supplemental voting right entrustment agreement with Shanghai Shenjie on March 30, 2022 (the "**Supplemental Agreement**"), which provides, among others, that (i) the term of the Entrustment Agreement shall continue until both parties mutually agree to terminate the Entrustment Agreement for a period of not less than eight years (i.e. until March 18, 2027); and (ii) as of the date of the Supplemental Agreement, the parties had no intention to terminate the Entrustment Agreement after the expiry of the eight-year period.

Irrevocable Undertakings from Other Shareholders

Five other shareholders of Shanghai SinoFuelCell, who are financial investors, have been voting in favor of all shareholder resolutions of Shanghai SinoFuelCell initiated by our Company and/or the board of directors of Shanghai SinoFuelCell and supporting and maintaining the control of our Company in major affairs of Shanghai SinoFuelCell, since their respective capital injection in Shanghai SinoFuelCell. To formalize their support to our control in Shanghai SinoFuelCell and in view of Shanghai SinoFuelCell's continuous operational achievement and business prospects under our leadership, the following five shareholders provided different forms of undertakings to our Group based on their own consideration, including but not limited to their relationship with our Group, their control on investment, and their usual investment and risk management preference. Therefore, in addition to the Entrustment Agreement, we received the following irrevocable undertakings, which shall not be terminated unless otherwise agreed by our Company:

(1) Each of Shuimu Sail Venture and Shuimu Yuanjing, both of which are our Shareholders and controlled by Mr. Wu Yong, our non-executive Director, has given an irrevocable undertaking to our Company that commencing from the date of their capital injections, i.e. August 2017 and March 2019, respectively, it shall recognize and support our control in Shanghai SinoFuelCell and our dominating power in the major affairs of Shanghai

SinoFuelCell, and in particular, it shall not seek to obtain control over Shanghai SinoFuelCell by any means and shall vote in favor of the shareholder resolutions proposed by the Company and the board of directors of Shanghai SinoFuelCell. Shuimu Sail Venture and Shuimu Yuanjing principally engages in venture capital business with a registered capital of RMB121,200,000 and RMB435,000,000, respectively;

(2) Mr. Lin Jianli (林建立先生) has given an irrevocable undertaking to our Company that commencing from the date of his capital injection, i.e. August 2020, he shall recognize and support our control in Shanghai SinoFuelCell and our dominating power in the major affairs of Shanghai SinoFuelCell, and in particular, he shall not seek to obtain control over Shanghai SinoFuelCell by any means and shall vote in favor of the shareholder resolutions proposed by the Company and the board of directors of Shanghai SinoFuelCell;

(3) Hainan Hongsong Hydrogen Energy Partnership (L.P.) (海南泓松氫能合夥企業(有限合夥)) has given an irrevocable undertaking to our Company that commencing from the date of its capital injection, i.e. December 2021, it shall recognize and support our control in Shanghai SinoFuelCell and our dominating power in the major affairs of Shanghai SinoFuelCell, and in particular, it shall attend all shareholders' meetings proposed by our Company and the board of directors of Shanghai SinoFuelCell unless otherwise agreed by our Company, and shall not seek to obtain control of our Company over Shanghai SinoFuelCell by any means, and shall support and maintain the dominating power of our Company in major affairs of Shanghai SinoFuelCell by voting in favor of the shareholder resolutions proposed by the Company and the board of directors of Shanghai SinoFuelCell. Hainan Hongsong Hydrogen Energy Partnership (L.P.) principally engages in proprietary investment activities with a registered capital of RMB50,000,000; and

(4) Ms. Zang Xiaoqin, who is our Shareholder, has given an irrevocable undertaking to our Company that commencing from the date of her capital injection, i.e. March 2019, she shall recognize and support our control in Shanghai SinoFuelCell and our dominating power in the major affairs of Shanghai SinoFuelCell, and in particular, she shall attend all shareholders' meetings proposed by our Company and the board of directors of Shanghai SinoFuelCell unless otherwise agreed by our Company, shall not seek to obtain control of our Company over Shanghai SinoFuelCell by any means, and shall not collectively with other shareholder(s) seek to obtain control of Shanghai SinoFuelCell.

As advised by our PRC Legal Advisor, the abovementioned irrevocable undertakings are legal, valid and enforceable under the relevant laws and regulations in the PRC.

As confirmed by each of Shanghai Shenjie, Shuimu Sail Venture, Shuimu Yuanjing, Mr. Lin Jianli, Hainan Hongsong Hydrogen Energy Partnership (L.P.) and Ms. Zang Xiaoqin and save as otherwise disclosed herein, it/he/she and its/his/her ultimate beneficial owner(s) did not have any relationship (including business, family, trust, employment, financing and other material relationship) with the Group and its directors, supervisors and senior management and any of their associates, other than the Entrustment Arrangement and the abovementioned irrevocable undertakings.

2021 Capital Increase

In December 2021, the registered capital of Shanghai SinoFuelCell was increased to RMB84,952,654 (the "**2021 Capital Increase**"), and the equity interest of our Company and Shanghai Shenjie in Shanghai SinoFuelCell was further diluted to 25.60% and 10.81%, respectively, after the 2021 Capital Increase. After the 2021 Capital Increase, pursuant to the Articles of Association of Shanghai SinoFuelCell, we have the power to appoint four out of seven directors of Shanghai SinoFuelCell and the Articles of Shanghai SinoFuelCell can only be amended by two third of the votes in the shareholders' meeting, i.e. other shareholders of Shanghai SinoFuelCell would not be able to amend the Articles of Shanghai SinoFuelCell and alter our power to appoint majority of the board in the absence of our approval taking into account the Entrustment Arrangement.

Through the 2021 Capital Increase, Shenchuangtou Manufacturing acquired 13.06% equity interest in Shanghai SinoFuelCell. Shenchuangtou Manufacturing is a limited partnership established in the PRC with a registered capital of RMB27,500,000,000, which is primarily engaged in the business of investment management. Pursuant to the 2021 Capital Increase agreement with Shenchuangtou Manufacturing, Shanghai Shenjie shall pay up the unpaid registered capital of Shanghai SinoFuelCell (i.e. subscription price of RMB29,384,448 in total to be contributed by Shanghai Shenjie) in full by December 31, 2022. Shanghai Shenjie shall pledge all its equity interest in Shanghai SinoFuelCell (the "**Pledge**") to Shenchuangtou Manufacturing to guarantee its payment obligation, and the Pledge shall not affect the exercise of voting rights by Shanghai Shenjie in Shanghai SinoFuelCell nor the Entrustment Agreement. Shareholders of Shanghai Shenjie that fail to pay up the registered capital shall indemnify Shenchuangtou Manufacturing for its damages caused by Shanghai Shenjie's unpaid registered capital. As advised by our PRC Legal Advisor, according to the provisions of the Civil Code of the PRC, the pledged equity interests of Shanghai Shenjie shall not be transferred unless upon mutual agreement of Shanghai Shenjie and Shenchuangtou Manufacturing. If Shanghai Shenjie fails to pay up the unpaid registered capital in full by December 31, 2022, Shenchuangtou Manufacturing shall only be entitled to the proceeds from auction or sale of the pledged equity interests, but not the legal ownership of the pledged equity interests. As Shanghai Shenjie paid up the unpaid registered capital in full by August 31, 2022, Shenchuangtou Manufacturing is not entitled to enforce the Pledge. In any event, the Pledge shall not affect Shanghai Shenjie's exercise of its voting rights over Shanghai SinoFuelCell, nor affect its entrustment of voting rights to our Company under the Entrustment Agreement in accordance with the applicable PRC laws and regulations.

For details of the other 15 shareholders of Shanghai SinoFuelCell save for our Company, Shenchuangtou Manufacturing, Shanghai Shenjie, Shuimu Sail Venture, Shuimu Yuanjing, Mr. Lin Jianli, Hainan Hongsong Hydrogen Energy Partnership (L.P.) and Ms. Zang Xiaoqin, see note (1) of the corporate and shareholding structure chart as of the Latest Practicable Date set out in "— Corporate and Shareholding Structure".

Our Control over Shanghai SinoFuelCell

Our Directors considered that our Company has the power to direct relevant activities of Shanghai SinoFuelCell during the Track Record Period and up to the Latest Practicable Date taking into account, among others, the following factors:

(a) we have been the single largest shareholder of Shanghai SinoFuelCell since the Acquisition and we have the power to appoint and control a majority of the board of directors of Shanghai SinoFuelCell during the Track Record Period and up to the Latest Practicable Date. Pursuant to the Articles of Association of Shanghai SinoFuelCell, we have the power to appoint three out of five and four out of seven directors of Shanghai SinoFuelCell before and after the 2021 Capital Increase, respectively, and the Articles of Shanghai SinoFuelCell can only be amended by two third of the votes in the shareholders' meeting, i.e. other shareholders of Shanghai SinoFuelCell would not be able to amend the Articles of Shanghai SinoFuelCell and alter our power to appoint majority of the board in the absence of our approval taking into account the Entrustment Arrangement, as further illustrated below;

(b) we have the power to control the shareholders' meeting of Shanghai SinoFuelCell considering the Entrustment Arrangement and the abovementioned irrevocable undertakings during the Track Record Period and up to the Latest Practicable Date, details of which are set out below:

	Equity Interest in Shanghai SinoFuelCell as of					
Shareholder	**January 1, 2019**	**December 31, 2019**	**December 31, 2020**	**December 31, 2021**	**June 30, 2022**	**the Latest Practicable Date**
Our Company	35.17%	31.88%	32.03%	25.60%	25.60%	25.60%
Support our control and the Entrustment Agreement						
Shanghai Shenjie	17.52%	15.57%	13.52%	10.81%	10.81%	10.81%
Sub-total	52.69%	47.45%	45.55%	36.41%	36.41%	36.41%
Specifically undertake to vote in our favor						
Shuimu Sail Venture	12.61%	11.21%	9.74%	7.78%	7.78%	7.78%
Shuimu Yuanjing	—	4.44%	3.86%	3.09%	3.09%	3.09%
Mr. Lin Jianli	—	—	1.45%	1.16%	1.16%	1.16%
Hainan Hongsong Hydrogen Energy Partnership (L.P.)	—	—	—	2.61%	2.61%	2.61%
Sub-total	65.30%	63.10%	60.60%	51.05%	51.05%	51.05%
Specifically undertake to support our control						
Ms. Zang Xiaoqin	—	2.22%	4.53%	6.02%	6.02%	6.02%
Total	65.30%	65.32%	65.13%	57.07%	57.07%	57.07%

(c) we maintain effective control in various matters of Shanghai SinoFuelCell since the Acquisition and up to the Latest Practicable Date, including but not limited to corporate governance structure, resolutions in shareholders' meetings and board meetings, nomination, appointment and removal of directors and senior management, daily operation and management, provision of R&D support and management of product sales channels;

(d) all shareholder resolutions initiated by our Company and/or the board of directors of Shanghai SinoFuelCell have been passed unanimously by the attendees during the Track Record Period and up to the Latest Practicable Date; and

(e) to the best knowledge and belief of the Company and based on the confirmations we received from 12 shareholders of Shanghai SinoFuelCell (representing an aggregate of 36.2% of the registered capital of Shanghai SinoFuelCell), shareholders of Shanghai SinoFuelCell other than our Company, Shanghai Shenjie, Shuimu Sail Venture, Shuimu Yuanjing, Mr. Lin Jianli, Hainan Hongsong Hydrogen Energy Partnership (L.P.) and Ms.

Zang Xiaoqin (who/which are covered under the Entrustment Arrangement and the irrevocable undertakings as disclosed above) confirmed that: (i) our Company has actual control over Shanghai SinoFuelCell and they had not in any respect obtained and will not obtain control over Shanghai SinoFuelCell individually or together with any other shareholder(s) of Shanghai SinoFuelCell; and (ii) they were not related to each other or did not have common ultimate beneficial owner(s) to the extent that they were able to exercise control over Shanghai SinoFuelCell during the Track Record Period and up to the Latest Practicable Date.

Based on the above, our Company controlled and consolidated Shanghai SinoFuelCell during the Track Record Period and up to the Latest Practicable Date and satisfied the criteria for consolidation under the applicable accounting standards during the Track Record Period. See "Financial Information — Critical Accounting Policies, Judgments and Estimates — Significant Accounting Estimates".

In the event that Shanghai SinoFuelCell may have capital injection in the future, our Company will take appropriate steps and measures, including further capital injection, to preclude reduction in our equity interest in, and to maintain our control over, Shanghai SinoFuelCell.

For details of other subsidiaries of our Company, see "Appendix I — Accountants' Report — II. Notes to the Historical Financial Information — 1. General Information".

OUR JOINT VENTURE AND ASSOCIATE COMPANIES

Our Company has one joint venture and seven major associate companies in the PRC as of the Latest Practicable Date. The following table sets forth the detailed information of our joint venture and associate companies which we consider as material to us:

Name	Place of incorporation	Date of establishment	Registered share capital	Principal business activities	Revenue in 2021 (*RMB'000*)	Equity held by the Group as of the Latest Practicable Date
Joint Venture						
1. Toyota Sinohytec[1]	PRC	June 28, 2021	JPY4,500,000,000	Manufacturing and trading of fuel cell stacks with metallic bipolar plates	25,851.8	50.00%
Associate Companies						
2. United Fuel Cell[2]	PRC	August 20, 2020	JPY1,673,000,000	R&D of fuel cell stacks with metallic bipolar plates	2,401.6	15.00%
3. Shanghai Maximfuelcell[3]	PRC	June 21, 2019	RMB28,539,152	R&D and manufacturing of MEA	3,385.2	14.02%[4]

(1) On March 29, 2021, our Company and Toyota entered into a joint venture agreement to establish Toyota Sinohytec to promote the economic cooperation and technical exchanges between the parties and carry out manufacturing and trading of fuel cell stacks with metallic bipolar plates. Toyota Sinohytec is currently a supplier of our Group and is not a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to the joint venture agreement: (a) the board of directors of Toyota Sinohytec shall have six directors, made up of three directors appointed by our Company and three directors appointed by Toyota; (b) our Company shall be responsible for, among others, appointing relevant personnel, conducting necessary registration and obtaining necessary approvals from the relevant PRC authorities and assisting in subsidy application, utility, infrastructure services, employee recruitment and procurement, importation and delivery of raw materials, components and machinery (as advised by our PRC Legal Advisor, Toyota Sinohytec has obtained necessary approval from the relevant PRC authorities including the Decision on Not Prohibiting the Concentration on Anti-monopoly Review from the State Administration for Market Regulation of the PRC and reporting the investment information to the commerce department of the PRC); (c) Toyota shall be responsible for, among others, appointing relevant personnel, assisting in export and import logistics, selecting and procuring advanced machinery, raw materials and components, providing design and technical support on engineering construction, layout and machinery, providing domestic and overseas staff training, and assisting in foreign exchange arrangement; (d) the distributable profit of Toyota Sinohytec shall be shared by our Company and Toyota in proportion to the respective paid-up capital contribution; (e) Toyota Sinohytec shall register and use its own trademark, which shall not be used by our Company or Toyota without their authorization; and (f) Toyota Sinohytec shall operate for a term of 10 years commencing from June 28, 2021, and the renewal of such term is subject to the approval of their shareholders. As advised by our PRC Legal Advisor, Toyota Sinohytec, as a limited liability company, has the power to own its properties and assets, including its proprietary intellectual property rights, and neither our Group nor Toyota shall use any intellectual property rights of Toyota Sinohytec without their authorization. The Directors consider that the joint venture arrangement is beneficial to both our Group and Toyota as it enables our Group to diversify our product mix and satisfy our customers' needs, while paving the way for Toyota to enter the PRC market through our leading position in the industry.

(2) On June 5, 2020, our Company entered into a cooperation agreement with Toyota, China FAW, Dongfeng Group, GAC Group and BAIC Group to establish United Fuel Cell to facilitate the R&D of fuel cell stacks with metallic bipolar plates. Pursuant to the cooperation agreement: (a) the board of directors of United Fuel Cell shall have five directors, made up of three directors appointed by Toyota, one director appointed by our Company and one director appointed by China FAW, Dongfeng Group, GAC Group and BAIC Group in turn; (b) each contracting party shall be responsible for, among others, appointing relevant personnel, providing relevant technical information, engaging United Fuel Cell individually or jointly for R&D projects, and paying such commission fees to United Fuel Cell; and (c) our Company shall be responsible for, among others, conducting necessary registration and obtaining necessary approvals from the relevant PRC authorities and assisting in subsidy application, utility, infrastructure services, employee recruitment and procurement, importation and delivery of raw materials, components, machinery and equipment.

(3) On June 21, 2019, our Company jointly established Shanghai Maximfuelcell with Jingning Jiude Enterprise Management Partnership (L.P.) (景寧久德企業管理合夥企業(有限合夥), Shanghai Ruhong Investment Management Co., Ltd. (上海儒泓投資管理有限公司), Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd. (山東東岳未來氫能材料股份有限公司) and Qihe Qikong New Energy Investment Center Partnership (L.P.) (齊河齊控新能源投資中心合夥企業(有限合夥) to carry out the R&D and manufacturing of MEA, a key component of fuel cell stacks. According to the articles of association of Shanghai Maximfuelcell, the board of directors of Shanghai Maximfuelcell shall have seven directors, made up of two directors appointed by Jingning Jiude Enterprise Management Partnership (L.P.), one director by each of our Company, Shanghai Ruhong Investment Management Co., Ltd., Shandong Dongyue Future Hydrogen Energy Materials

Co., Ltd. and Qihe Qikong New Energy Investment Center Partnership (L.P.), and one director appointed by Shuimu Yuanjing and Qinghai Enlightenment Star Venture Capital Center (L.P.) (青海啟迪之星創業投資中心(有限合夥)), and our Company has the right to appoint the chairman of the board of directors of Shanghai Maximfuelcell.

(4) During the Track Record Period, there were capital increases in Shanghai Maximfuelcell in 2020 and 2021 to raise capital to further develop its business scale, resulting in dilutions of our equity interest from 20.00% in 2019 to 17.51% in 2020, and further to 14.30% in 2021. In May 2020, the registered capital of Shanghai Maximfuelcell was increased from RMB20,000,000 to RMB22,844,444 by Shuimu Yuanjing, Qinghai Enlightenment Star Venture Capital Center (L.P.), Qingdao Yuanzhi Qingyuan Investment Management Center (L.P.) (青島遠致清源投資管理中心(有限合夥)), and Shenzhen Yunshuo Xingjian Enterprise Management Consulting Center (L.P.) (深圳市雲爍行健企業管理諮詢中心(有限合夥)). In May 2021, the registered capital was increased from RMB22,844,444 to RMB25,382,716 by Shanghai Muxin Enterprise Management Partnership (L.P.) (上海睦馨企業管理合夥企業(有限合夥)). In October 2021, the registered capital was increased from RMB25,382,716 to RMB27,968,376 by Beijing Shuimu Hydrogen Source Phase I Industrial Investment Center (L.P.) (北京水木氫源一期產業投資中心(有限合夥)), Gongqingcheng Jingxin Investment Partnership (L.P.) (共青城景鑫投資合夥企業(有限合夥)), Zhucheng Angelang Enterprise Management Consulting Service Partnership (L.P.) (諸城市安格朗企業管理諮詢服務合夥企業(有限合夥), Shanghai Lingang New Area Science and Technology Innovation Phase I Industrial Equity Investment Fund Partnership (L.P.) (上海臨港新片區科創一期產業股權投資基金合夥企業(有限合夥)), and Shanghai Tielin Investment Holding Co., Ltd. (上海鐵林投資控股有限責任公司). In July 2022, the registered capital was further increased from RMB27,968,376 to RMB28,539,152 by Hangzhou Kaida Metal Catalyst and Compounds Co., Ltd. (杭州凱大催化金屬材料股份有限公司), resulting in further dilution of our equity interest in Shanghai Maximfuelcell to 14.02% as of the Latest Practicable Date. To the best knowledge and belief of our Company, all of the above new shareholders are financial investors, which are investment institutions that primarily focus on equity investment, venture capital business and consulting services.

The following table sets forth the detailed information of our other major associate companies:

Name	Place of incorporation	Date of establishment	Registered share capital	Principal business activities	Revenue in 2021 *(RMB'000)*	Equity held by the Group as of the Latest Practicable Date
1. Zhangjiakou Haiper	PRC	August 31, 2017	RMB79,166,668	Production of hydrogen and supply of hydrogen to hydrogen refueling facilities	22,307.2	26.22%[(1)]
2. Zhangjiakou Jiaotou Hydrogen New Energy Technology Co., Ltd (張家口市交投氫能新能源科技有限公司) ("**Jiaotou Hydrogen**")	PRC	August 9, 2019	RMB28,571,428.57	Operation of hydrogen refueling facilities	4,782.6	18.00%[(2)]

	Name	Place of incorporation	Date of establishment	Registered share capital	Principal business activities	Revenue in 2021 (RMB'000)	Equity held by the Group as of the Latest Practicable Date
3.	Air Sinohytec Hydrogen Technology Co., Ltd (空氣華通(北京)氫能源科技有限公司) ("**Air Sinohytec**")	PRC	May 13, 2020	RMB100,000,000	Investment in hydrogen refueling and storage industry	0	35.00%
4.	Beijing Swift New Energy Technology Co., Ltd (北京思偉特新能源科技有限公司)	PRC	January 29, 2021	RMB35,638,200	R&D and manufacturing of renewable energy hydrogen production system and electrolysis equipment	301.9	25.25%
5.	Beijing Shuimu Pilot Venture Capital Center (Limited Partnership) (北京水木領航創業投資中心(有限合夥))	PRC	February 2, 2021	RMB1,084,000,000	Venture capital and equity investment in new energy, healthcare, and information technology industries	78,017.2	9.23%

(1) During the Track Record Period, there were capital increases in Zhangjiakou Haiper in 2019 and 2020 to raise further capital, resulting in dilutions of our equity interest, which were treated as deemed disposals of our interests in Zhangjiakou Haiper. With the aim of concentrating our resources on the business of fuel cell system, we did not maintain our equity holding percentage in Zhangjiakou Haiper when the new shareholders joined. In June 2019, the registered capital of Zhangjiakou Haiper was increased from RMB31,666,667 to RMB63,333,334 with RMB25,909,091 contributed by Shandong Binhua Hydrogen Energy Co., Ltd. (山東濱華氫能源有限公司), a company primarily engaged in the R&D of hydrogen energy technology, which is held as to 2.50% by our Company as at the Latest Practicable Date (such registered capital has not been paid up by our Company), and RMB5,757,576 contributed by us. After such capital increase, our equity interest in Zhangjiakou Haiper was diluted from 47.37% to 32.77% and Zhangjiakou Haiper ceased to be our subsidiary. In February 2020, the registered capital of Zhangjiakou Haiper was further increased from RMB63,333,334 to RMB79,166,668 by capital injection of Air Products and Chemicals (China) Investment Co., Ltd. (空氣化工產品（中國）投資有限公司), an Independent Third Party whose parent company is listed on the New York Stock Exchange with the stock code of APD, which is an international commercial hydrogen and liquid hydrogen supplier. After such capital increase, our equity interest in Zhangjiakou Haiper was further diluted from 32.77% to 26.22%. For the year ended December 31, 2019, the revenue of Zhangjiakou Haiper was RMB708,000, and the loss and total comprehensive expense for the year was RMB38,838,000. Our Directors consider that the deemed disposals and the deconsolidation of Zhangjiakou Haiper would not have a significant impact on our financial statements as the business of Zhangjiakou Haiper in production and supply of hydrogen was not our core business and the financial position of Zhangjiakou Haiper has been immaterial to our Group since its incorporation in August 2017. Our Board is of the view, and our PRC Legal Advisor concurs, that there was no material non-compliance of Zhangjiakou Haiper with the applicable laws and regulations during the Track Record Period and up to our deemed disposal in June 2019.

(2) During the Track Record Period, Jiaotou Hydrogen conducted a capital increase in 2020 to raise capital to further develop its business scale, while we disposed some of our equity interest with the aim of concentrating our resources on the business of fuel cell system, resulting in dilutions of our equity interest from 40% in 2019 to 18% in 2020. In November 2020, the registered capital of Jiaotou Hydrogen was increased from RMB20,000,000 to RMB28,571,428.57 by Air Sinohytec, our associate company, while Air Sinohytec also acquired RMB2,857,142.86 equity interest held by us at the same time. As a result, our direct equity interest in Jiaotou Hydrogen was diluted from 40% to 18%.

For details of our joint venture and associate companies, see "Appendix I — Accountants' Report — II. Notes to the Historical Financial Information — 20. Interests in Associates" and "Appendix I — Accountants' Report — II. Notes to the Historical Financial Information — 21. Interest in a Joint Venture".

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any major acquisitions, disposals or mergers.

PUBLIC FLOAT

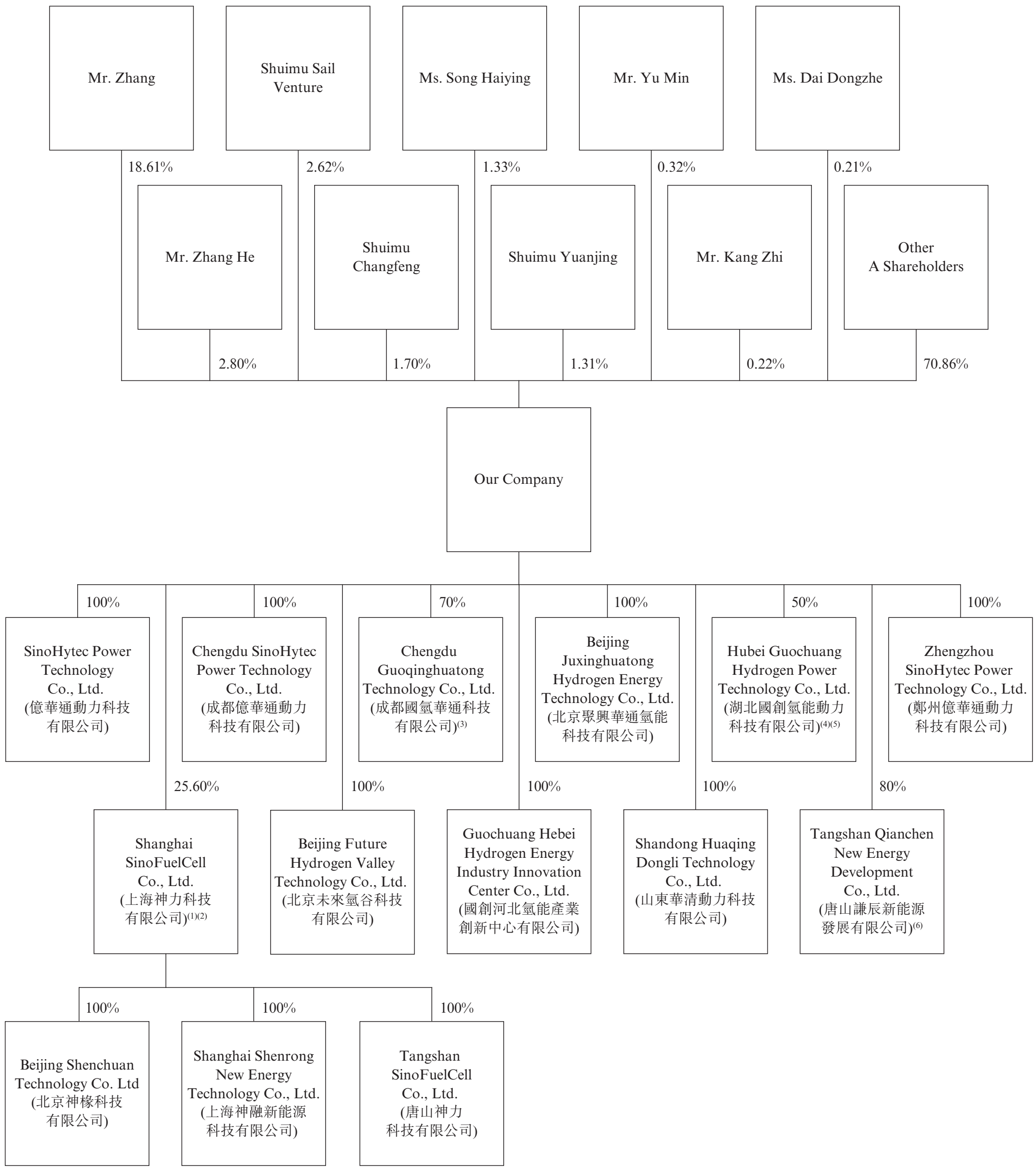
The 29,108,108 A Shares held by Mr. Zhang, Mr. Zhang He, Ms. Song Haiying, Ms. Dai Dongzhe, Mr. Yu Min, Mr. Kang Zhi, Shuimu Sail Venture, Shuimu Changfeng and Shuimu Yuanjing, our core connected persons (as defined under the Hong Kong Listing Rules), as of the Latest Practicable Date, will not be considered as part of the public float upon Listing. To the best knowledge and belief of our Directors and on the basis of the current shareholding structure, none of the other A Shareholders is expected to be our core connected person, and the A Shares held by them, amounting to approximately 60.23% of our total issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), are expected to be counted towards the public float upon Listing. It is expected that upon Listing, our Company will be able to meet the public float requirement under Rule 8.08(1)(b) of the Hong Kong Listing Rules.

REASONS FOR THE LISTING

Our Company is seeking a listing of its H Shares on the Stock Exchange in order to provide further capital for the development and expansion of our Company's business, to strengthen our Company's working capital and to further strengthen our business profile and presence, as described in more details in "Future Plans and Use of Proceeds".

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets forth our corporate and shareholding structure as of the Latest Practicable Date:



(1) Shanghai SinoFuelCell is held as to 10.81% by Shanghai Shenjie, the voting right of which is entrusted to our Company commencing from March 19, 2019 until both parties mutually agree to terminate the Entrustment Agreement and such period shall not be less than eight years (i.e. until March 18, 2027). Shanghai SinoFuelCell is also held as to approximately 7.78% by Shuimu Sail Venture, 6.02% by Ms. Zang Xiaoqin, 3.09% by Shuimu Yuanjing, 2.61% by Hainan Hongsong

Hydrogen Energy Partnership (L.P.) and 1.16% by Mr. Lin Jianli, each of whom has given an irrevocable undertaking to us. Further, Shanghai SinoFuelCell is held as to approximately 13.06% by Shenchuangtou Manufacturing and by 14 other shareholders, details of which are set out below:

	Name	Registered share capital	Principal business activities	Approximate percentage of equity interest in Shanghai SinoFuelCell
1.	Tianjin Tianchuang Yingxin Venture Capital Partnership (L.P.) (天津天創盈鑫創業投資合夥企業(有限合夥))	RMB286,000,000	Venture capital business	4.56%
2.	Beijing Haiju Zhuli Venture Capital Center (L.P.) (北京海聚助力創業投資中心(有限合夥))	RMB308,000,000	Venture capital business	4.45%
3.	Shandong Liancheng Precision Manufacturing Co., Ltd. (山東聯誠精密製造股份有限公司)	RMB131,683,216	Development, design, production and sales of precision castings	3.99%
4.	Shanghai Yijiang Investment Management Co., Ltd. (上海伊江投資管理有限公司)	RMB39,000,000	Investment management and consultation	3.42%
5.	Shaoxing Shangyu Yifeng Phase I Equity Investment Partnership (L.P.) (紹興上虞易豐一期股權投資合夥企業(有限合夥))	RMB200,000,000	Equity investment and investment management	2.70%
6.	Jiaxing Shenyi Venture Capital Partnership (L.P.) (嘉興申毅創業投資合夥企業(有限合夥))	RMB200,000,000	Venture capital business and equity investment	2.31%
7.	Xinyuren Heruigu Investment Partnership (L.P.) (新余人合瑞谷投資合夥企業(有限合夥))	RMB36,000,000	Equity investment, investment and asset management	1.78%
8.	Mr. Zhang Fan (張帆先生)	—	—	1.66%
9.	Xinyuren Hechunrun Investment Partnership (L.P.) (新余人合春潤投資合夥企業(有限合夥))	RMB211,350,000	Equity investment, investment management and asset management	1.57%
10.	Shenzhen Junsheng Yuanshi Investment Enterprise (L.P.) (深圳君盛源石投資企業(有限合夥))	RMB84,100,000	Asset and investment management, investment and business management consultation	1.54%

Name		Registered share capital	Principal business activities	Approximate percentage of equity interest in Shanghai SinoFuelCell
11.	SME Development Fund (Jiangsu L.P. No.2) (中小企業發展基金(江蘇有限合夥貳號))	RMB4,000,000,000	Equity investment and venture capital business	1.04%
12.	Mr. Hu Liqing (胡里清先生)	—	—	0.40%
13.	Mr. Yin Feng (尹鋒先生)	—	—	0.36%
14.	Tianjin Tianchuang Dingxin Venture Capital Management Partnership (L.P.) (天津天創鼎鑫創業投資管理合夥企業(有限合夥))	RMB6,858,977	Venture capital business	0.09%

Other than Shanghai Shenjie and Shenchuangtou Manufacturing, being substantial shareholders of Shanghai SinoFuelCell, Shuimu Sail Venture and Shuimu Yuanjing, each of the minority shareholders of Shanghai SinoFuelCell is an Independent Third Party.

(2) Shanghai SinoFuelCell operates a branch company.

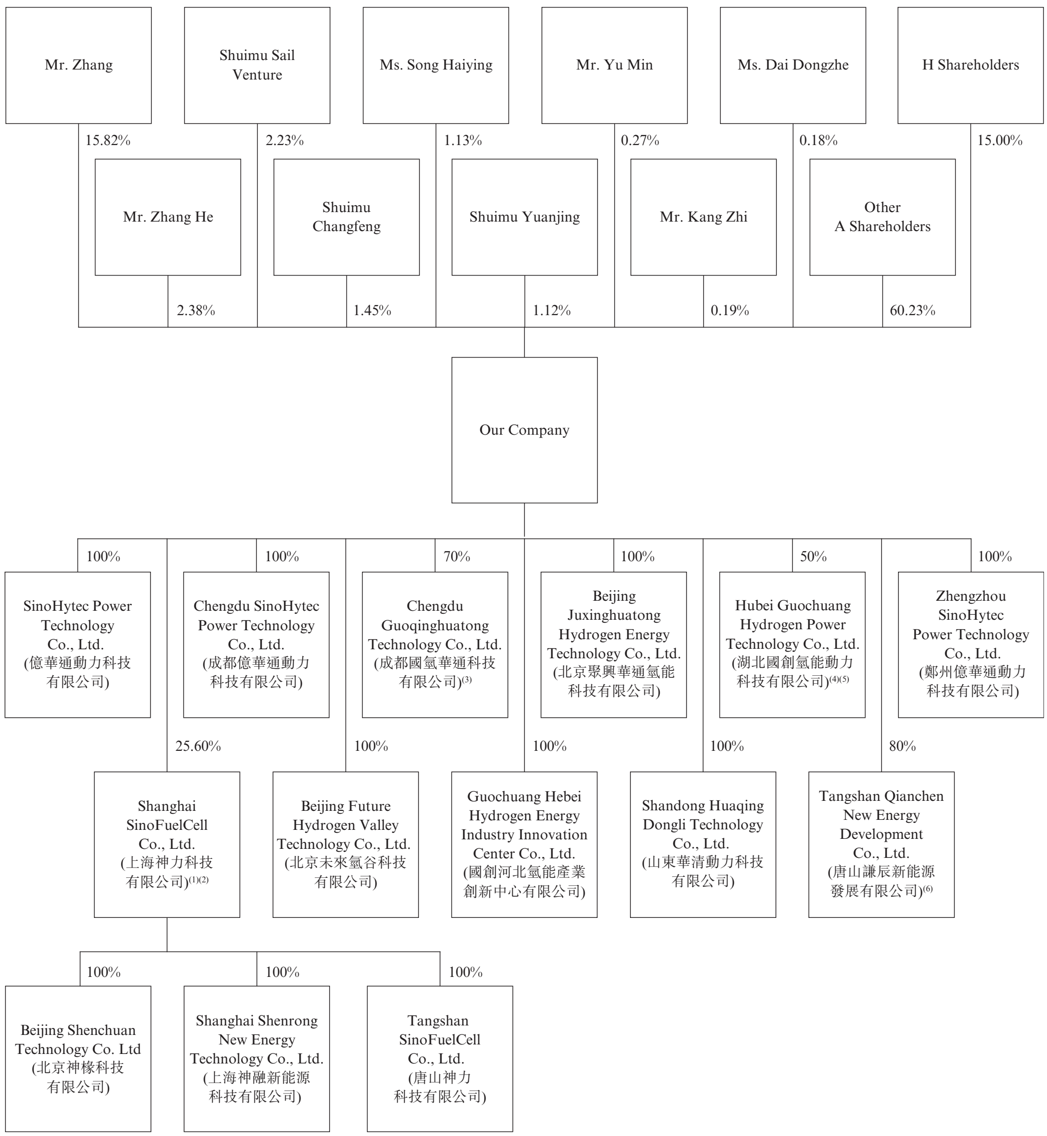
(3) The remaining 30% in Chengdu Guoqinghuatong Technology Co., Ltd. is held by Chengdu Hydrogen Blue Technology Co., Ltd. (成都氫藍科技有限公司). Chengdu Hydrogen Blue Technology Co., Ltd. is held as to 60% by Mr. Xie Tian (謝添先生), an Independent Third Party, and 40% by Mr. Wang Xun (王勳先生), the supervisor of Chengdu Guoqinghuatong Technology Co., Ltd.

(4) The remaining 50% in Hubei Guochuang Hydrogen Power Technology Co., Ltd. ("**Hubei Guochuang**") is held as to 30% by Wuhan Bus Manufacturing Co., Ltd. (武漢客車製造股份有限公司) and 20% by Xiamen Jinlong United Automobile Industry Co., Ltd (廈門金龍聯合汽車工業有限公司). Wuhan Bus Manufacturing Co., Ltd. is held as to 69.3% by Guochuang High-tech, an Independent Third Party.

(5) Pursuant to Article 25 of the Articles of Association of Hubei Guochuang, our Company has the power to appoint three out of five directors of Huibei Guochuang. Therefore, our Company has majority control over the board of directors of Hubei Guochuang and includes Hubei Guochuang as its subsidiary in the scope of consolidation.

(6) The remaining 20% in Tangshan Qianchen New Energy Development Co., Ltd. is held by Tangshan Jishun Qianmu New Energy Development Co., Ltd. (唐山冀順謙牧新能源發展有限公司), which is a wholly owned subsidiary of Zibo Qianchen Huayou Investment Management Co., Ltd. (淄博謙辰華佑投資管理有限公司). Zibo Qianchen Huayou Investment Management Co., Ltd. is solely owned by Mr. Wang Rui (王瑞先生), an Independent Third Party.

The following chart sets forth our corporate and shareholding structure immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised:



Notes (1) to (6): see notes (1) to (6) to the corporate and shareholding structure above for details.

OVERVIEW

We are a leading provider of fuel cell systems in China, focusing on the design, development and manufacture of fuel cell systems and stacks (a key component of the system) mainly for commercial vehicles, such as buses and trucks. According to the CIC Report, we ranked first in the PRC fuel cell system market in terms of the total power output of fuel cell systems sold[1] in 2021, with a market share of 27.8%. As of June 30, 2022, our fuel cell systems were installed on 80 models of fuel cell vehicles that are featured in the MIIT New Energy Vehicle Catalogs, ranking us first in the industry.

Established in 2012, we are a pioneer in the R&D and commercialization of fuel cell systems in China and started batch production in 2016. According to the CIC Report, we are one of the first companies in China that commercialized fuel cell systems and stacks with proprietary intellectual property rights. We participated in various national-level fuel cell R&D projects in China, notably for codeveloping the early prototype of fuel cell buses. We also participated in the fuel cell vehicle development and commercialization scheme of the United Nations Development Programme in China and witnessed the progress of the PRC fuel cell vehicle industry from the R&D phase to pilot testing and to commercialization.

We offer and sell various models of fuel cell systems with different power outputs. We have gradually developed and launched the 30kW, 40kW, 50kW, 60kW, 80kW, 100kW, 120kW and 150kW models over the years. We maintained our first-mover advantages and launched our first 240kW model in December 2021, the first automotive fuel cell system in China that can reach a rated power of 240kW, according to the CIC Report. With the introduction of this new high power output model, our products cover a wide power output spectrum from 30kW to 240kW, enabling us to meet various customer demands and develop multiple application scenarios. Since the launch of our first commercialized product in 2016, we have sold an aggregate of over 2,900 units to over 20 commercial vehicle manufacturers in China. Our fuel cell systems are installed on commercial vehicles operating across PRC cities, including Beijing, Zhangjiakou, Shanghai, Chengdu, Zhengzhou and Zibo.

As of the Latest Practicable Date, our fuel cell systems have powered over 2,800 fuel cell vehicles on the road in China. These vehicles had an average mileage of around 40,000 kilometers per vehicle, accumulating over 108.6 million kilometers and 2.3 million hours of operations, which built an industry leading record. We believe that the extensive vehicle operating record can help us improve our products in terms of adverse weather capabilities, durability, reliability, efficiency, safety and economy, which in turn further enhance our leading position in the industry.

Our products are mainly used by commercial vehicles such as city buses, intercity buses and cold chain logistics vehicles. We established solid long-term partnerships with commercial vehicle manufacturers in China such as Beiqi Foton, Yutong Bus and Geely Commercial Vehicles. We also participate in fuel cell related international collaborations

(1) Sales volume of fuel cell systems comprises only direct sales to fuel cell vehicle manufacturers.

and codeveloped with Toyota and Beiqi Foton transit buses using our fuel cell systems which are designated as the official transport vehicles at the Beijing 2022 Olympic Winter Games.

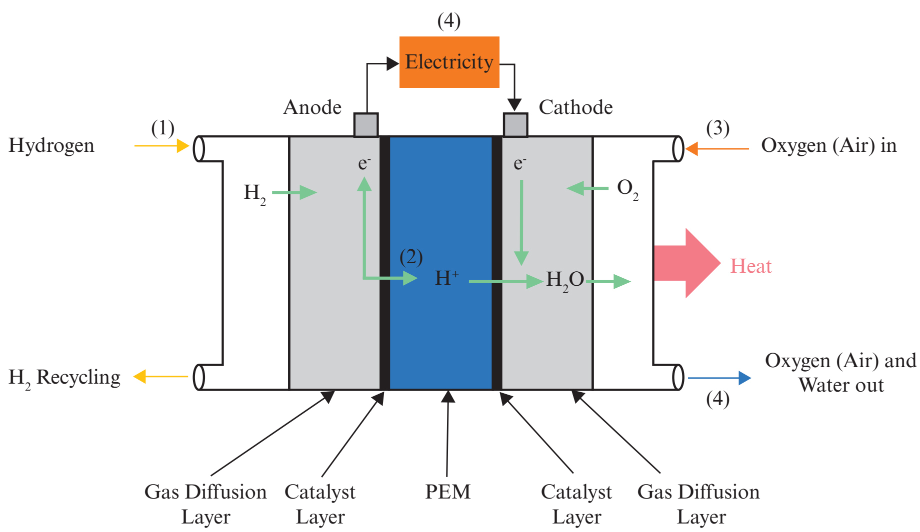
We were initially listed on the NEEQ in 2016 and raised an aggregate amount of RMB790 million through equity financing. In August 2020, we became listed on the SSE STAR Market, and since then we have raised an aggregate amount of RMB1.55 billion through equity financing. We believe our equity financing capabilities reflect the recognition of the capital markets and investors of us, which gave us more flexibility in making substantial capital investments, putting us in a more advantageous position than our peers.

Since our establishment, we have been following a vertical approach in our research and development. We have progressed from integrating fuel cell system into fuel cell powertrain to the development and manufacture of fuel cell systems and stacks and, most recently, to bipolar plates, a key component of the stacks. We also plan to develop and manufacture another key component of the fuel cell stacks, MEA, through a major associate company, Shanghai Maximfuelcell. We dedicate our R&D efforts to improve the performance of our products while lowering their costs. We have achieved advancement in our system integration techniques, innovation of system power controls, improvements of product designs and optimization of our selection and matching of key components and materials. Our research and development have improved the key performance indicators of our products, such as adverse weather capabilities, durability, reliability, efficiency, safety and economy, which enhanced our leading position in the industry. See "— Research and Development — Our R&D Achievements".

During the Track Record Period, although we have experienced net losses since 2020, our revenue grew from RMB553.6 million in 2019 to RMB572.3 million in 2020 and further to RMB629.4 million in 2021, and from RMB117.8 million in the six months ended June 30, 2021 to RMB269.1 million in the same period in 2022. Going forward, we believe that we can grow our revenue and gradually improve our operating leverage as we continue to implement our strategies. This is based on the assumptions that the future growth of the fuel cell vehicle industry and the fuel cell system industry is in line with our anticipation and the PRC government's supportive policies and planning toward the fuel cell vehicle industry remained unchanged and in line with our anticipation. However, considering that (i) the fuel cell vehicle industry in China is still at an early stage, (ii) we may face difficulties and unexpected risks in the process of exploring the large-scale commercialization of our products, and (iii) the outbreak of COVID-19 may continue to have an adverse impact on our business operations, **we expect to continue to record net losses until at least 2025.**

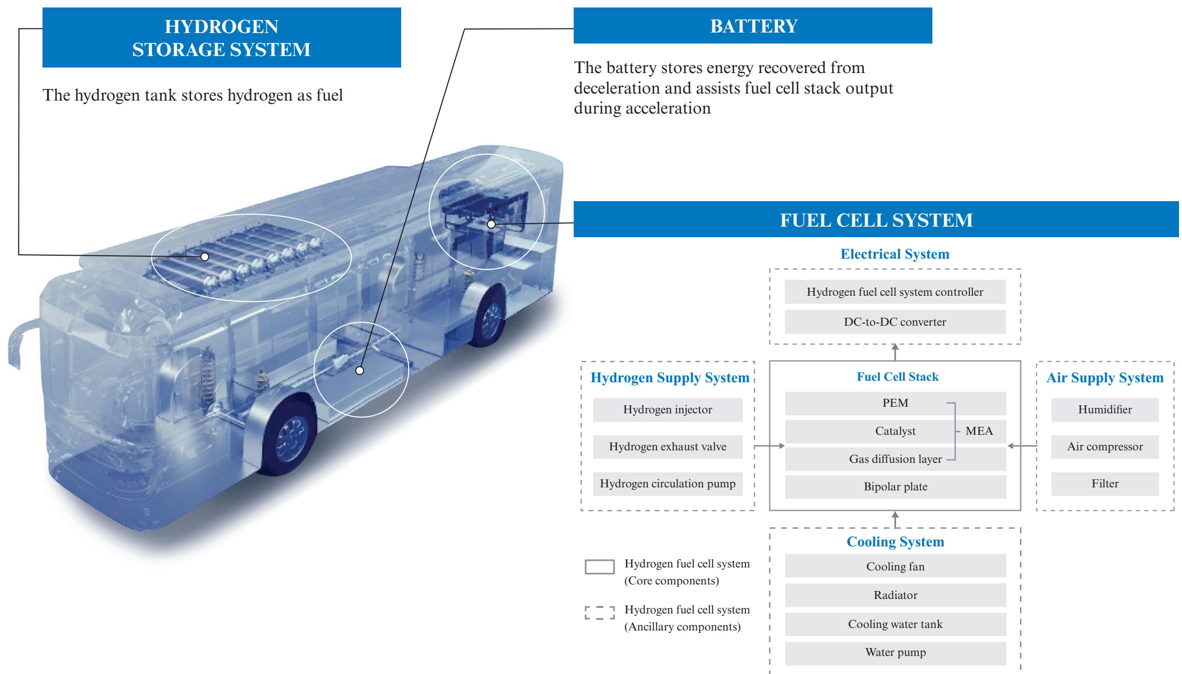
FUEL CELL SYSTEM

A fuel cell system combines hydrogen and oxygen in fuel cell stacks, converting chemical energy into electricity without combustion and producing water as by-product. Compared to an internal combustion engine, a fuel cell system is also quiet in operation because the electrochemical reaction requires few movements of components. In general, a fuel cell system produces zero carbon emission and is durable under low temperature, highly efficient and quiet. The diagram below illustrates the operating principles of a fuel cell system:



(1) Hydrogen molecule enters the fuel cell at the anode.
(2) A chemical reaction strips hydrogen molecule of their electrons, ionizing hydrogen atoms into protons.
(3) Oxygen enters the fuel cell at the cathode.
(4) Oxygen combines with electrons and protons, generating electricity and water.

A fuel cell system is composed of fuel cell stacks, a electrical system, a hydrogen supply system, an air supply system and a cooling system. The fuel cell system maintains proper internal temperature, pressure and humidity through a controlling unit. The following picture illustrates the basic structure of a fuel cell system installed on a bus:



According to the CIC Report, new energy products such as lithium batteries and fuel cells are currently the primary solution to carbon emission related environmental issues in the transport industry and fuel cell vehicles are more environmental friendly and efficient than internal combustion engine vehicles. Fuel cell vehicles are powered by non-combustion chemical reactions that only produce electricity, heat and water. Fuel cell vehicles are superior to battery electric vehicles in their freeze-start capability, driving range, energy conversion efficiency and refueling time. In addition, battery electric vehicles are more often used in the short to medium distance transportation because they are limited in the driving range per charge, require longer charging time and are less adapted to cold weather. Fuel cell vehicles are more suited for medium to long distance and heavy-duty mobility because they are more adaptable to the environment, have a longer driving range and are faster to refuel. See "Industry Overview — Overview of China's Fuel Cell Vehicle Industry — Comparative Analysis of Fuel Cell Vehicles, Battery Electric Vehicles and Internal Combustion Engine Vehicles".

According to the CIC Report, fuel cell systems are in the early process of replacing high power output diesel engines in commercial vehicles in China as they generally have a higher loading capacity and longer driving range. As most of urban areas in China are densely populated and have large numbers of buses and trucks, fuel cell commercial vehicles can help reduce more carbon emissions than passenger vehicles. Constructing hydrogen refueling stations for commercial vehicles is also more feasible because they mainly run on fixed routes in centralized locations. In addition, the increasing adoption of fuel cell commercial vehicles can also reduce the average costs of fuel cell systems and hydrogen due to the economies of scale achieved, which in turn will promote broader applications of fuel cells in China. At the moment, buses and trucks powered by fuel cells systems have already been operating in demonstration cities in China.

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors.

Leader in China's fast growing fuel cell system market

We are a leading provider of fuel cell systems in China, focusing on the design, development and manufacture of fuel cell systems and stacks. Established in 2012, we are a pioneer in the R&D and commercialization of fuel cell systems in China and started batch production in 2016. We also participated in the fuel cell vehicle development and commercialization scheme of the United Nations Development Programme in China and witnessed the progress of the PRC fuel cell industry from the R&D phase to pilot testing and to commercialization. Our fuel cell systems are installed on commercial vehicles operating across various PRC cities, including Beijing, Zhangjiakou, Shanghai, Chengdu, Zhengzhou and Zibo. We codeveloped with Toyota and Beiqi Foton transit buses using our fuel cell systems which are designated as the official transport vehicles at the Beijing 2022 Olympic Winter Games.

We maintained our first-mover advantage and stayed ahead of our competitors. According to the CIC Report, we ranked first in the PRC fuel cell system market in terms of the total power output of fuel cell systems sold in 2021, with a market share of 27.8%. As of June 30, 2022, our fuel cell systems were installed on 80 models of fuel cell vehicles that are featured in the MIIT New Energy Vehicle Catalogs, ranking us first in the industry.

As of the Latest Practicable Date, our fuel cell systems have powered over 2,800 fuel cell vehicles on the road in China. These vehicles had an average mileage of around 40,000 kilometers per vehicle, accumulating over 108.6 million kilometers and 2.3 million hours of operations, which built an industry leading record. According to the CIC Report, extensive vehicle operation record can help us further improve our products in terms of adverse weather capabilities, durability, reliability, efficiency, safety and economy, which can further enhance our leading position in the industry.

We believe that to facilitate the development of the fuel cell vehicle industry, the PRC government will continue to implement strong supportive policies in various demonstration city clusters, the fuel cell industry has great potential for future development. The annual sales volume of the fuel cell vehicles in China increased from approximately 1,300 in 2017 to approximately 1,600 in 2021, and is expected to increase significantly to 48,200 in 2026, representing a CAGR of 97.7% for the period from 2021 to 2026, according to the CIC Report. In addition, the annual sales volume of the fuel cell systems increased from approximately 1,500 units in 2017 to approximately 2,200 in 2021, and is expected to further increase to approximately 52,900 in 2026, representing a CAGR of 89.5% for the period from 2021 to 2026 and the China Society of Automotive Engineers also projected that there would be over one million fuel cell vehicles on the road in China by 2035.

Strong research and development capabilities

We adhere to a R&D principle of "Advance Research (預研一代)", "Continuous Development (開發一代)" and "In-depth Promotion (推廣一代)". The key objectives of our R&D and product testing activities are to optimize and upgrade our products' adverse weather capabilities, durability, reliability, efficiency, safety and economy. We believe our strong R&D capabilities enable us to keep developing the best-in-class fuel cell technologies and maintaining our first-mover advantages in the PRC fuel cell system market, which is critical to our competitiveness and our ability to lead the development of the fuel cell system market in China. See "— Research and Development".

As of June 30, 2022, we have an outstanding R&D team of 270 members. We believe we can quickly respond to market changes while maintaining our competitive advantages in the industry because of our insight into PRC fuel cell vehicle industry and the favorable market environment. We also cooperated with leading research universities in China, such as Tsinghua University, to facilitate the development and commercialization of innovative fuel cell technologies so that we can respond to the fast-changing market demands.

Adhering to our R&D principle, our R&D team has progressively developed the 30kW, 40kW, 50kW, 60kW, 80kW, 100kW, 120kW and 150kW models of fuel cell systems over the years. In particular, we launched our 240kW high power output model in December 2021, which is the first automotive fuel cell system in China that can reach a rated power of 240kW. Our 240kW model has the second highest power density and the lowest freeze-start temperature, among the latest models of fuel cell systems launched by the top five fuel cell system providers in China, according to the CIC Report. See "Industry Overview".

We believe our continuous R&D efforts have yielded industry-leading products with high performance. The key performance indicators of a fuel cell system are rated power, power density, freeze-start capability and energy conversion efficiency. We applied multiple patented technologies in our new 240kW model to efficiently regulate core elements of hydrogen, air, water, heat and electricity, to produce a highly efficient, responsive, integrated and economical propulsion system. The table below sets forth the comparison between our 240kW fuel cell system and other fuel cell systems available in the PRC market.

Key Performance Indicators	Our 240kW Model	Products of Major Competitors(1)	Target Indicators in 2025 under the Energy-saving and New Energy Vehicle Technology Roadmap 2.0(2)
Rated Power (kW)	241	130–256	120
Power Density (W/kg)	757	563–906	350
Freeze-start Temperature (°C)	–35	–30	–40
Energy Conversion Efficiency (%)	58	60–61	55

(1) These data were prepared and compiled by CIC as of June 30, 2022.

(2) These target indicators in 2025 are included in the Energy-saving and New Energy Vehicle Technology Roadmap 2.0 (《節能與新能源汽車技術路線圖2.0》), which was published by China Society of Automotive Engineers in October 2020 as commissioned by the National Manufacturing Strategy Advisory Committee and MIIT and sets out future targets and trends in the development of new energy vehicles in China.

In addition, we participated in and achieved significant results in various R&D projects sponsored by the PRC government. As of June 30, 2022, we had over 590 patents, including over 210 invention patents, over 360 utility model patents, and 20 design patents. In addition, we have more than 590 patent applications that have been accepted by the State Intellectual Property Office of China. We believe our R&D capabilities are well-recognized by the government and the industry. As of June 30, 2022, we led or participated in the drafting of 48 national or industry standards of fuel cells in China. See "— Research and Development".

Solid partnerships with major PRC commercial vehicle manufacturers

As a pioneer in the PRC fuel cell system market, we have built solid long-term partnerships with major commercial vehicle manufacturers in China, such as Beiqi Foton, Yutong Bus and Geely Commercial Buses, through jointly undertaking national-level R&D projects and codeveloping, demonstrating and testing fuel cell vehicles. We have accumulated a broad customer base in the fuel cell vehicle industry and our technologies are well recognized. In particular, Beiqi Foton and Yutong Bus purchased our fuel cell systems on order basis since 2016 and 2018, respectively, for the production of their fuel cell vehicles. We codeveloped with Toyota and Beiqi Foton transit buses using our fuel cell systems which are designated as the official transport vehicles at the Beijing 2022 Olympic Winter Games. As of June 30, 2022, we have sold fuel cell systems to over 20 commercial vehicle manufacturers whose total fuel cell vehicles sold in 2021 represented nearly 60% of the market share in China. In addition, Beiqi Group and Yutong Bus have become our Shareholders and strategic partners, representing the recognition of us by the downstream players of the fuel cell vehicle industry.

Integrated components supply system and a close cooperation with suppliers

A fuel cell system is highly integrated and its performance highly depends on the compatibility and reliability of various components. We believe we have an integrated components supply chain and our close cooperation with suppliers can help maintain our competitiveness in the industry. After years of dedication, we have built a comprehensive procurement system with local suppliers.

We believe the localization of core components such as fuel cell stacks, air compressors, bipolar plates and MEA is important and can help us reduce cost by producing at scale, ensure quality and lower logistics costs. During the Track Record Period, we have established a relatively stable long-term relationship with over 300 suppliers in China, providing parts such as MEA and air compressors. We have established business relationships with our major suppliers for as long as eight years. During the Track Record Period, we have localized the supply of MEA and procured more raw materials from local suppliers each year. In 2019, 2020, 2021 and the six months ended June 30, 2022, our purchase of raw materials from overseas suppliers was approximately RMB72.8 million, RMB25.0 million, RMB11.1 million and RMB2.8 million, representing 16.9%, 7.2%, 2.1% and 1.4% of our total purchases, respectively.

Experienced senior management team, supported by a high-caliber workforce

Our senior management team is well versed in the fuel cell system industry. They have broad industry knowledge, profound market insights and strong management skills. Our Chairman of the Board and General Manager, Mr. Zhang Guoqiang, has over ten years of industrial and managerial experience in the fuel cell system industry and has been guiding our strategic direction ever since our inception in 2012. Other core members of our management team are experts in different aspects such as technology research and development, finance and market operations. Our senior management team has been highly stable and working together for over eight years.

We believe the expertise and foresights of our management team in the fuel cell vehicle industry are crucial to our success and will continue to contribute to our future growth. Under their leadership, we believe we can leverage our first-mover advantage, strong R&D capabilities and stable and diversified customer base to maintain our market position and seize opportunities in the PRC fuel cell system market.

Our management team is supported by a talented and skilled R&D team, which is led by our deputy general manager, Mr. Li Feiqiang, who has over a decade of experience in the R&D of fuel cell systems and team management. Mr. Fang Chuan, our R&D director who is responsible for the development of fuel cell systems, has led several fuel cell invention projects. Mr. Gan Quanquan, the deputy general manager of Shanghai SinoFuelCell who is responsible for the development of fuel cell stacks, also has led several inventions and national-level R&D projects relating to fuel cell systems and stacks. See "Directors, Supervisors and Senior Management".

OUR STRATEGIES

Our mission is to leverage advanced hydrogen fuel cell technologies to contribute to China's "carbon emission peak and carbon neutrality" goal and empower global energy transition. We are committed to becoming a global leader in hydrogen fuel cell technologies for promoting a sustainable and low carbon future. Our goal is to become a world leading fuel cell system provider. We intend to achieve this goal by implementing the following strategies:

Further advance the R&D of fuel cell systems and core components

We will continue to conduct R&D and the testing activities to improve our products' adverse weather capabilities, durability, reliability, efficiency, safety and economy, thereby further optimizing and upgrading our products. We intend to leverage our years of experience in the fuel cell system industry and our understanding of the downstream market to improve our R&D capabilities. To further commercialize our fuel cell related researches, we plan to collaborate with industrial, educational and research institutions and further build our competitive strengths. We also intend to explore overseas R&D opportunities to develop key raw materials for our fuel cell stacks.

We plan to develop our new generation of R&D platform. With the new generation of R&D platform, we can simultaneously develop six products in parallel and conduct more testing activities and further improve product performance. This new generation of R&D platform is intended to shorten our average R&D period to respond to market changes and meet our research targets for the next four years. In particular,

- We expect to use our new generation of R&D platform to develop fuel cell systems for (i) high power output (220kW to 400kW) heavy-duty trucks, (ii) high power output (180kW to 220kW) intercity buses, (iii) high power (150kW) special purpose vehicles such as municipal sanitation vehicles, and (iv) passenger vehicles. We intend to develop around 15 models on this R&D platform in the next four years.

- We intend to prioritize our R&D activities, which cover a full spectrum of R&D of core raw materials, such as PEM, catalyst and bipolar plates, fuel cell components, and other aspects of the fuel cell system.

- We are limited by our current R&D capability under which we can only simultaneously develop at most two models at a time and have to partner with third-parties in product testing. With our new generation of R&D platform, we can complete more independent R&D activities, develop high power output products, ensure compliance with nationwide industry standards and improve the performance of our products in one go.

- We intend to conduct 50 more testings for each new product model, including seven testings on fuel cell systems, seven on fuel cell stacks and 36 on raw materials, such as bipolar plates, MEA, catalysts and PEMs.

- We intend to acquire more R&D and testing equipment and hire additional experienced R&D personnel to develop multiple products models in parallel to shorten our R&D cycle. See "— Research and Development — Our R&D Platform".

We plan to continue our collaboration with research institutions and universities for national-level R&D projects and our proprietary R&D projects. For example, we plan to upgrade our products by using certain fuel cell technologies we jointly developed with Tsinghua University. We will continue to collaborate with vehicle manufacturers to understand their demands and obtain abundant operational experience of fuel cell systems. See "— Research and Development — Ongoing R&D projects".

We also plan to conduct R&D activities overseas. Fuel cell vehicle industry in Japan has a relatively longer history of development and is more advanced in fuel cell technologies, talent development and industrial resources. We intend to leverage the advanced testing equipment and local R&D talents in Japan by conducting R&D activities there. We intend to focus initially on the R&D of core technologies for future products and related raw materials. Our overseas R&D projects will include the development of next-generation fuel cell stacks and enhanced bipolar plates, catalysts and PEM. We expect this will further enhance our technological capabilities and establish a higher entry barrier for our core technologies.

We expect to use approximately 75.0% of our net proceeds (approximately HK$841.2 million) to fund our research and development in the next three years. See "Future Plans and Use of Proceeds".

Expand the production capacity of fuel cell stacks to meet the growing market demand and achieve economies of scale

We plan to utilize our internal resources to gradually increase our production capacity of fuel cell stacks by 5,000 units by July 2025 to relieve us from capacity constraints during the peak season. Considering (i) the PRC government's favorable policies supporting the fuel cell related industry; (ii) the CIC's estimate regarding the increasing future demand for fuel cell vehicles up to 2026; (iii) utilization of existing production facilities and the seasonality of our production; (iv) the need to maintain our competitive advantage in the market; and (v) estimated construction costs and our ability to obtain adequate capital resources, we believe that it is necessary to expand our production capacity for fuel cell stacks at our Shanghai Plant. We also believe that we can benefit from the economies of peak season (particularly the fourth quarter of each year). In particular, we plan to expand our existing production lines at our Shanghai Plant by acquiring new equipment and software systems to further optimize operating efficiency and product quality. Our upgraded plant will house a broader range of functions, including, among others, manufacturing and testing facilities for more advanced fuel cell stacks with high power and bipolar plates with higher performance. After the completion of this expansion project, our maximum annual production capacity of fuel cell stacks is expected to increase from the current level of 1,000 units, to 2,000 units, 3,000 units and 6,000 units by 2023, 2024 and 2025, respectively. See "— Our Production".

Strategically expand our customer base and geographical coverage

We intend to maintain and expand our customer base to increase market share. We intend to use our new generation of R&D platform to improve our products and increase our product portfolio, catering for the needs of our customers. We intend to promote our new products with more vehicle manufacturers and their customers with an aim to achieve a higher customer penetration and broaden the scope of application of fuel cell systems in other types of commercial vehicles, such as heavy-duty trucks. Our marketing strategy is based around the development of regional fuel cell system market and the geographical distribution of hydrogen resources in China. In particular,

- We plan to further extend our business relationships with major PRC commercial vehicle manufacturers operating in key cities such as Beijing, Zhangjiakou, Shanghai, Zhengzhou, Chengdu and Zibo, based on PRC government's supportive policies and geographic distribution of hydrogen resources. For example, since August 2021, the PRC government has approved five fuel cell vehicle demonstration city clusters, led by Beijing, Shanghai, Guangdong, Zhengzhou and Zhangjiakou, with four years of demonstration period to commercialize key core technologies for fuel cell vehicles. Zibo is also included in the Beijing, Shanghai and Guangdong demonstration city clusters. In addition, the establishment of the Zhangjiakou Renewable Energy Demonstration Zone has been approved by the State Council in 2015 and Zhangjiakou jointly hosted the Beijing 2022 Olympic Winter Games. See "Regulatory Overview — Government Policies Relating to Fuel Cells".

- Centering around these key cities in China, we plan to market our fuel cell systems in other cities and regions within 500 kilometers of these key cities, such as those in Inner Mongolia and Jiangsu. We believe these cities have higher potential to become the next batch of demonstration city clusters benefiting from the incentive policies of the national or local government.

- As the fuel cell system market in China continues to mature, we expect to seize the opportunities emerged from technological advancement and utilize the established cities and inter-city pipeline networks to build China's hydrogen energy industry region.

Expand and strengthen our supply chains

As we continue to ramp up production capacity and increase sales volume, supplier relationships are key to our continued success in the future. We have established business relationships with many well-known suppliers of fuel cell system related parts and components in the market. We intend to further cooperate with them, identify alternative suppliers and pursue the vertical integration of our supply chains and resources to reduce raw material costs, ensure component supply and improve product quality.

During the Track Record Period, we have made investments in certain associates and joint venture and made collaboration arrangements with third parties, such as international leading enterprises and experienced energy companies, to enhance our research and development capability, accelerate the localization of core components, strengthen the supply chain and maintain our market share and competitiveness in the PRC fuel cell market. We plan to further strengthen our supply chains through alliance, investments and acquisitions. We focus on suppliers of high-value components, such as fuel cell stacks, MEA, air compressors, bipolar plates and hydrogen supply systems. In particular,

- We intend to use our own cash resources to increase our capital contribution to Toyota Sinohytec, based on the terms of our agreement with Toyota and the estimated capital needs of Toyota Sinohytec, to allow Toyota Sinohytec to produce fuel cell stacks with metallic bipolar plates in China. On March 29, 2021, we entered a joint venture agreement with Toyota to establish Toyota Sinohytec to manufacture and sell fuel cell stacks with metallic bipolar plates. Toyota Sinohytec is currently our supplier. After Toyota Sinohytec started its production, we have purchased fuel cell stacks with metallic bipolar plates from this joint venture, which has reduced our dependence on third-party suppliers, diversified our product mix, satisfied our customers' needs, and yielded certain synergies. For example, the average purchase price per kW of the fuel cell stacks with metallic bipolar plates produced by Toyota Sinohytec in 2021 decreased by approximately 40% as compared to that of the fuel cell stacks we purchased from third-party suppliers in 2020. Going forward, we can continue to benefit from our joint venture arrangement with Toyota, which has allowed us to purchase fuel cell stacks with metallic bipolar plates manufactured with Toyota's technologies and develop and manufacture our fuel cell systems using fuel cell stacks with metallic bipolar plates to further diversify our products, reduce our costs of raw materials and improve our profitability, and maintain our leading position in the industry. See "History, Development and Corporate Structure — Our Joint Venture and Associate Companies".

- We intend to increase our capital contribution to our major associate company, Shanghai Maximfuelcell, to enhance its research and development of MEA. As of the Latest Practicable Date, we have completed most of the product testing on the MEA produced by Shanghai Maximfuelcell. We expect to purchase MEA from Shanghai Maximfuelcell as the key raw materials for our production of fuel cell stacks in the future, which we believe have better performance to match our products and will benefit the stabilization and localization of our supply chain and reduce the costs of raw materials.

- We will leverage our industry resources and network and continue to monitor the market conditions and engage financial and legal advisors to explore and evaluate, from time to time, potential acquisition opportunities when they arise. For our invested businesses, we will utilize our resources to help them grow and succeed, with a goal to form sustainable and mutually beneficial relationships with such companies. We may also look for third-party suppliers of air compressors, bipolar plates or hydrogen supply systems for cooperation or investment opportunities. Key areas of consideration include the supplier's product quality and performance as well as its business scale, such as production capacity, financial results and market potential. As of the Latest Practicable Date, we have not identified any definite target for cooperation, acquisition or investment.

Improve our brand awareness and promote the application of fuel cell system

We believe that brand awareness is critical to our future development and customer base. We plan to improve our brand recognition through product promotion and multi-channel marketing. In particular, we plan to organize and participate in industry events, product exhibitions and product launch events, and conduct internet and conventional advertising more frequently. In addition, we plan to launch marketing campaigns through social media, short videos and online advertisements, and upgrade our website to increase the public exposure of our brand and products. Further, we intend to promote the application of our fuel cell systems through assisting commercial vehicle manufacturers in their testing of prototypes and production and launch of new fuel cell vehicle models.

OUR BUSINESS MODEL

We design, develop and manufacture fuel cell systems and related components, and sell them to commercial vehicle manufacturers in China to produce fuel cell buses and trucks. Our business model comprises of the following steps:

- **Formulating Business Strategy.** We evaluate factors such as corporate development, government policies, market demand, technological development, customer relationships and future available resources, to form our overall business strategy which covers target growth and revenue, target markets and customers, product development and sales. Our management team uses this strategy to guide our business and product developments.

- **Exploring Business Opportunities.** The fuel cell vehicle industry is at an early stage of development in China, and we usually formulate our marketing strategies based on the PRC government's supportive policies and geographic distribution of hydrogen resources primarily in Beijing, Zhangjiakou, Shanghai, Zhengzhou, Chengdu and Zibo. We work closely with commercial vehicle manufacturers to explore and develop the application scenarios of fuel cell vehicles. Our marketing teams explore and evaluate potential customers and work with the R&D team and the production team to recommend suitable product models. Once a customer has selected the product model and tested its design and compatibility, the customer will submit an application to the MIIT for new vehicle approval. At the same time, we will sign a sales contract with the customer before we proceed with production.

- **Design, Research and Development.** We design our product development strategy based on our R&D principle of "Advance Research", "Continuous Development" and "In-depth Promotion" and we closely follow the latest technological development, market demand and end-user feedbacks. We plan and develop our products to meet the market demand and develop new technologies and next-generation products to maintain our technological advantages and capture future business opportunities. We also target to possess the leading R&D and product testing capabilities in China.

- **Procurement and Production.** We generally contract with customers before we start procurement and production. However, we procure certain key raw materials and components in advance for production efficiency and meeting our delivery deadline.

- **Product Delivery and Warranty.** We usually deliver our products in the second half of the year, especially in the fourth quarter, which is consistent with the industry-wide seasonality in China. We generally provide five-year product warranties in our sales contracts, depending on the types of products. In the event of a product failure, we analyze and eliminate any defects via our remote fuel cell system analysis software.

OUR BUSINESS AND PRODUCTS

We mainly manufacture and sell fuel cell systems for commercial applications, such as city buses, intercity buses and logistics vehicles. We also sell fuel cell components such as hydrogen storage systems to better support different models of vehicles and cater to customers' needs. In addition, we provide fuel cell related technology development services such as supporting the R&D projects of Toyota and Tsinghua University.

The following table sets forth our revenue and percentage by business activity during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Sales of fuel cell systems	481,085	86.9	499,882	87.3	518,051	82.3	101,365	86.1	254,697	94.6
Sales of fuel cell components	43,042	7.8	26,111	4.6	52,827	8.4	5,591	4.7	3,659	1.4
Provision of technology development services	9,235	1.7	33,471	5.9	27,486	4.4	4,838	4.1	7,721	2.9
Others[(1)]	20,258	3.6	12,829	2.2	31,005	4.9	5,980	5.1	3,066	1.1
Total	**553,620**	**100.0**	**572,293**	**100.0**	**629,369**	**100.0**	**117,774**	**100.0**	**269,143**	**100.0**

(1) Others mainly represented sales of hydrogen and other testing equipment for fuel cell systems and fuel cell components. In certain occasions, we also assisted our customers to build their own testing platforms and laboratories.

The following table sets forth our gross profit and gross profit margin by business activities during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Sales of fuel cell systems that equipped with fuel cell stacks provided by:	231,845	48.2	223,713	44.8	207,536	40.1	32,728	32.3	103,231	40.5
— Third-party suppliers[1]	2,468	19.6	69,560	34.6	130,750	35.8	32,079	32.6	4,330	36.6
— Our Group (Shanghai SinoFuelCell)	229,377	49.0	154,153	51.6	76,786	50.3	649	21.3[2]	98,901	40.7
Sales of fuel cell components	3,172	7.4	3,318	12.7	14,137	26.8	1,121	20.1	946	25.9
Provision of technology development services	4,554	49.3	18,484	55.2	9,778	35.6	2,040	42.2	479	6.2
Others	6,975	34.4	1,827	14.2	4,579	14.8	542	9.1	(173)	(5.6)
	246,546	44.5	**247,342**	43.2	**236,030**	37.5	**36,431**	30.9	**104,483**	38.8

(1) During the Track Record Period, our third-party fuel cell stacks suppliers were Toyota, Toyota Sinohytec and Hydrogenics Corporation, a Canadian renewable energy company and an Independent Third Party. During the Track Record Period, our sales volume of fuel cell system which carried fuel cell stacks from Toyota, Toyota Sinohytec and Hydrogenics Corporation were 411 units, 93 units and 10 units, respectively. The Group did not sell any fuel cell systems that carried fuel cell stacks procured from Toyota Sinohytec in 2019 and 2020; and did not sell any fuel cell systems that carried fuel cell stacks from Hydrogenics Corporation after 2019.

(2) Such relatively lower gross profit margin of the sales of fuel cell systems equipped with fuel cell stacks manufactured by our Group for the six months ended June 30, 2021 was mainly due to the fact that those three units of fuel cell stacks manufactured by our Group are prototypes.

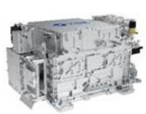
Fuel Cell System

We offer and sell various models of fuel cell systems with different power outputs. We have gradually designed and developed the 30kW, 40kW, 50kW, 60kW, 80kW, 100kW, 120kW and 150kW models. We maintained our first-mover advantages and launched our first 240kW model in December 2021, which is the first automotive fuel cell system in China that can reach a rated power of 240kW. Since the launch of our first commercialized product in 2016, we have sold an aggregate of over 2,900 units to over 20 commercial vehicle manufacturers in China. Our fuel cell systems are typically equipped with our in-house made fuel cell stacks using graphite bipolar plates. However, certain products are equipped with third-party fuel cell stacks using metallic bipolar plates, primarily due to (i) we collaborated and co-developed transit buses with Toyota and Beiqi Foton using our fuel cell systems that are designated as the official transport vehicles at the Beijing 2022 Olympic Winter Games; and (ii) graphite and metallic fuel cell stacks as two major types of fuel cell stacks for our fuel cell systems, have different characteristics, which can diversify our product portfolio.

The following table sets forth the details of our sales revenue, sales volume, sales power output in terms of kW, and average selling prices per kW of our fuel cell systems during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Sales revenue (RMB'000)	481,085	499,882	518,051	254,697
Sales volume (unit)	498	494	543	519
Sales power output (kW)	23,810	35,600	58,580	51,140
Average selling price per kW (RMB)	20,205	14,042	8,843	4,980

The following table sets forth the details of our major fuel cell systems sold during the Track Record Period:

Model	Photo	Key Specifications	Fuel Cell Stacks Used	Target customers	Applicable Vehicles	Year	Impact to environment
40kW		• Rated power: 40kW • Power density: 301W/kg • Energy conversion efficiency ≤53%	• Rated power: 47.2kW • Volume power density: 2.12kW/L	• Comprehensive vehicle manufacturer • Public transportation vehicle manufacturer	• City buses • Logistics vehicles	2019	Zero carbon emission
50kW		• Rated power: 50kW • Power density: 381W/kg • Energy conversion efficiency ≤55%	• Rated power: 61.9kW • Volume power density: 2.7kW/L	• Comprehensive vehicle manufacturer • Public transportation vehicle manufacturer	• Intercity buses	2020	Zero carbon emission
60kW		• Rated power: 65kW • Power density: 250W/kg • Energy conversion efficiency ≤57%	• Rated power: 79.4kW • Volume power density: 1.92kW/L	• Comprehensive vehicle manufacturer • Public transportation vehicle manufacturer	• Intercity buses	2019	Zero carbon emission
80kW		• Rated power: 80.5kW • Power density: 550W/kg • Energy conversion efficiency ≤60%	• Rated power: 98.8kW • Volume power density: 3.5kW/L	• Comprehensive vehicle manufacturer • Heavy-duty vehicle manufacturer • Public transportation vehicle manufacturer	• Logistics vehicles • Sanitation vehicles • City buses • Trucks	2020	Zero carbon emission
120kW		• Rated power: 120kW • Power density: 701W/kg • Energy conversion efficiency ≤60%	• Rated power: 144.2kW • Volume power density: 3.5kW/L	• Comprehensive vehicle manufacturer • Heavy-duty vehicle manufacturer • Public transportation vehicle manufacturer	• Trucks • City buses • Intercity buses	2021	Zero carbon emission
150kW(1)		• Rated power: 150kW • Power density: 407.4W/kg • Energy conversion efficiency ≤62%	• Rated power: 171.8kW • Volume power density: 2.8kW/L (Procured from a third-party supplier)	• Public transportation vehicle manufacturer	• Buses	2021	Zero carbon emission

(1) This model is designed for the transit buses of the Beijing 2022 Olympic Winter Games.

In 2019, we sold 498 units of fuel cell systems, including 218 units of 60kW model, which contributed to the largest portion of our revenue for the year; and our selling price in 2019 ranged from RMB0.7 million to RMB2.3 million per unit. In 2020, we sold 494 units of fuel cell systems, including 324 units of 80kW model, which contributed to the largest portion of our revenue for the year; and our selling price in 2020 ranged from RMB0.6 million to RMB1.8 million per unit. In 2021, we sold 543 units of fuel cell systems, including 140 units of 150kW model, which contributed to the largest portion of our revenue for the period; and our selling price in the same period ranged from RMB0.4 million to RMB1.8 million per unit. During the six months ended June 30, 2022, we sold 519 units of fuel cell systems, including 268 units of 80kW model, which contributed to the largest portion of our revenue for the period; and our selling price in the same period ranged from RMB0.4 million to RMB0.6 million per unit.

The following table sets forth the sales volume of fuel cell systems that carried our in-house manufactured fuel cell stacks and the stacks procured from third-party suppliers during the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(units)	*(%)*	*(units)*	*(%)*	*(units)*	*(%)*	*(units)*	*(%)*
Fuel cell systems that carried the fuel cell stacks from								
The Group	484	97.2	298	60.3	260	47.9	498	96.0
Third-party suppliers	14	2.8	196	39.7	283	52.1	21	4.0
Total	**498**	**100**	**494**	**100**	**543**	**100**	**519**	**100**

The following table sets forth the production volume of fuel cell systems that carried our in-house manufactured fuel cell stacks and the stacks procured from third-party suppliers during the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(units)	*(%)*	*(units)*	*(%)*	*(units)*	*(%)*	*(units)*	*(%)*
Fuel cell systems that carried the fuel cell stacks from(1)								
The Group	583	97.0	350	63.4	464	58.8	520	98.7
Third-party suppliers	18	3.0	202	36.6	325	41.2	7	1.3
Total	**601**	**100**	**552**	**100**	**789**	**100**	**527**	**100**

(1) In 2019, 2020, 2021 and the six months ended June 30, 2022, our production volume of fuel cell systems exceeded our respective sales volume, which was mainly because (i) there was a time difference between placing orders and product delivery; and (ii) certain products were produced for in-house research and development purpose or as spare products for after-sale purpose.

We price our products based on market demand, production costs, comparable products and market conditions. The price of our products might be relatively higher than our competitor because of our reputation and quality. We will price our products in a way to maintain our competitiveness and to seize opportunities in the market.

In 2019, 2020, 2021 and the six months ended June 30, 2022, the total power output of fuel cell systems sold by us was 23,810kW, 35,600kW, 58,580kW and 51,140kW, respectively, and our products' average selling price per kW was approximately RMB20,205, RMB14,042, RMB8,843 and RMB4,980, respectively. We believe the decreasing trend was mainly attributable to (i) the increasing number of market participants leading to increased competition along with rapid market development; (ii) a decrease in our production costs as a result of the increase in the scale of our production over the years and our more localized procurement; and (iii) a higher power density achieved by our technologies. As confirmed in the CIC Report, the decreasing trend of the average selling price was in line with the overall industry trend.

Latest Product

We intend to start the batch production of our 240kW model of fuel cell system. The following table sets forth the details of our latest product:

Model	Key Specifications	Fuel Cell Stacks Used	Applicable Vehicles
240kW	• Rated power: 241kW • Power density: 757W/kg • Energy conversion Efficiency $\leqslant$58%	• Rated power: 273.1kW • Power density: 3.5kW/L	• Heavy-duty trucks

Fuel Cell Components

We offer fuel cell components such as air compressors, hydrogen storage systems and DC-to-DC converters, which were largely based on the specific needs of customers, mainly for their research projects or maintenance needs. We also offer standalone fuel cell stacks apart from fuel cell systems from time to time as requested by our customers.

Technology Development Services

We provide technology development services such as fuel cell system structure design, calibration and related assessment services to universities and commercial vehicle manufacturers. We also provide technical services to fuel cell component manufacturers.

RESEARCH AND DEVELOPMENT

We dedicate significant efforts and resources towards R&D because we believe our success is driven by continuous R&D. As of June 30, 2022, we had a team of 270 R&D personnel, who are led by our deputy general manager, Mr. Li Feiqiang and our R&D director, Mr. Fang Chuan. We participated in numerous national-level and independent R&D projects, and developed numerous core fuel cell technologies to facilitate our product iteration and improvement.

Our R&D philosophy follows the progression of "Advance Research" (預研一代), "Continuous Development" (開發一代) and "In-depth Promotion" (推廣一代) to enhance our technologies while maintaining our first-mover advantage in the industry which is crucial to enhance our competitiveness and become the leader in China fuel cell system market:

- *Advance Research (預研一代)*. We conduct independent research and also collaborate with leading research oriented educational institutions such as Tsinghua University for joint R&D projects. We stay at the forefront of fuel cell R&D by following the latest academic theories and trends of technological development in China and abroad. We also consider customer's demands and government's guiding policies in our research and development to convert cutting-edge technologies into marketable products, which are one generation ahead of our current models.

- *Continuous Development (開發一代)*. We continue to develop appealing fuel cell systems through introducing new models, developing and testing product prototypes, and improving the functionalities of our existing products to remain competitive in the market. Our product development strategy adheres to a vertical path, which begins from the integration of fuel cell system to the in-depth research of the core components, such as fuel cell stacks, bipolar plate and MEA. Our continuous development has enabled us to introduce new products, improve new techniques and innovate new components and materials.

- *In-depth Promotion (推廣一代)*. We formed long-term partnerships with reputable vehicle manufacturers such as Beiqi Foton, Yutong Bus and Geely Commercial Vehicle to jointly undertake national-level R&D projects and codevelop fuel cell vehicles, promoting the development of China's fuel cell vehicle market. Given our proven track record in this industry, we are able to understand the genuine needs of our customers and accumulate extensive operating experience in fuel cell vehicles, and improve our products and user experience based on customer feedbacks. Our technological capabilities have earned us high recognition in the industry among commercial vehicle manufacturers in China and promoted our new products in the market.

As of June 30, 2022, we led or participated in formulation of 48 national or industry standards for fuel cell systems, such as, R&D methodologies for fuel cell systems, evaluation of the lifespan of fuel cell stacks, technical specifications of hydrogen supply systems, and safety regulations of the hydrogen refueling stations. Meanwhile, our leading research and development and product innovation capabilities have been widely recognized by the industry. As of June 30, 2022, we have won 14 technology awards, honorary qualifications and international recognition. We believe that our participation in the formulation of national and industry standards demonstrates our leading position in the industry, which can further enhance our brand image. See "— Intellectual Property Rights".

During the Track Record Period, considering the importance and difficulty of each research and development task and project and the availability of our R&D resources, we chose to outsource certain non-core research and development tasks of ancillary components of fuel cell system, for example, the development of DC-to-DC converter, and external industry research and consultation. See "Financial Information — Key Components of Our Results of Operations — Research and Development Expenses".

In 2019, 2020, 2021 and the six months ended June 30, 2022, we incurred R&D expenses of RMB83.9 million, RMB74.7 million, RMB92.8 million and RMB60.3 million respectively, accounting for 15.2%, 13.0%, 14.7% and 22.4% of our total revenue during the respective periods. In 2019, 2020, 2021 and the six months ended June 30, 2022, our addition of development costs capitalized under intangible assets was RMB50.2 million, RMB51.4 million, RMB72.1 million and RMB17.9 million, respectively. In recognition of our efforts in R&D and technological innovations, the relevant local government authorities granted us subsidies (with no future related costs to be incurred) of RMB15.7 million, RMB19.5 million, RMB14.7 million and RMB11.9 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. There are no unfulfilled conditions relating to these government subsidies.

Our R&D Platform

We continue to upgrade and expand our R&D platform to scale up our research and development efforts. As of the Latest Practicable Date, we are in the process of upgrading our current generation of R&D platform to the next generation. The following chart compares the performance of our fuel cell products developed by our current and next generation of R&D platforms:

Indicators	Current Generation	New Generation
Rated power of the fuel cell systems (kW)	80 – 240	400
Power density of a fuel cell stack (kW/L)	2.8 – 3.8	5
Freeze-start temperature (°C)	–35 – –30	–40
Designed lifecycle (hours)	5,000 – 20,000	30,000

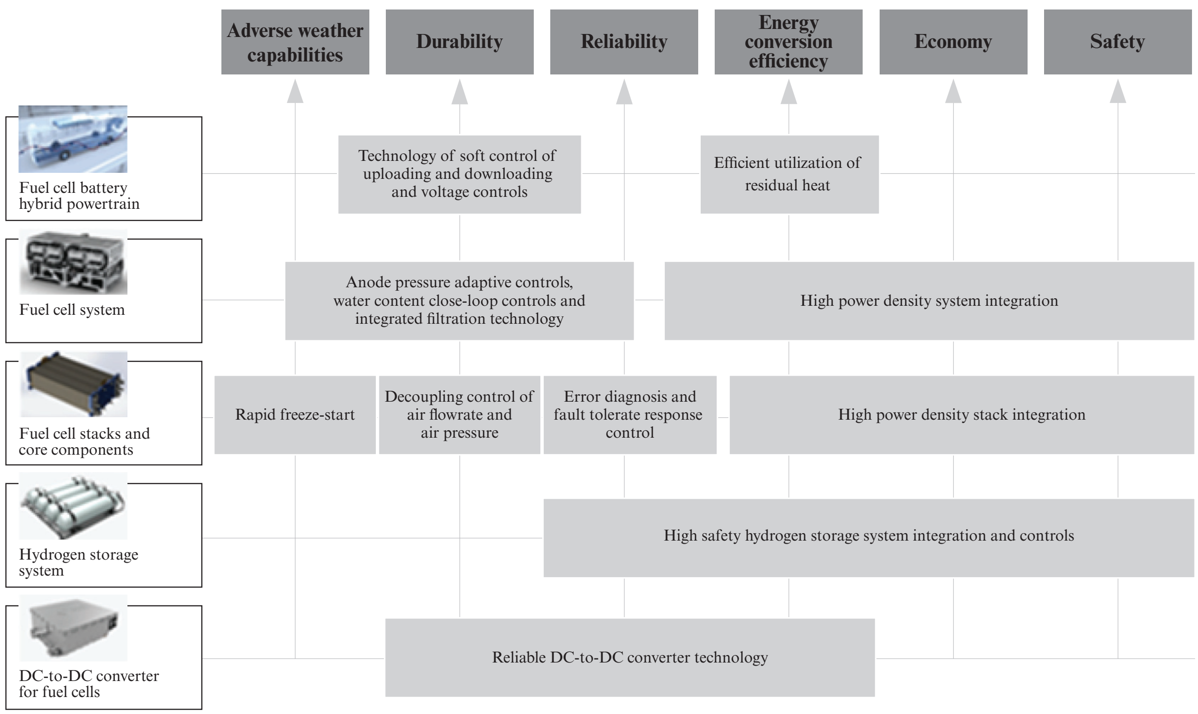
Our new generation of R&D platform is undergoing comprehensive upgrades of core components and materials, such as proton exchange membranes, catalysts and bipolar plates to various internal control systems. We believe the key to improve R&D efficiency lies in whether we can meet our R&D goals and batch production and sales requirements in the most efficient manner. Our current generation of R&D platform only allows us to develop two models of fuel cell systems in parallel, and given its insufficient testing capability, we have to outsource a portion of our product testings to third parties, a process which is more costly and less efficient. The new generation of R&D platform could allow us to develop six models of fuel cell systems in parallel, and greatly enhance our testing capability to improve our R&D efficiency. We believe this new R&D platform is necessary for us to adapt to the rapid changes in the fuel cell system market as well as to enhance our competitiveness.

Graphite and metal are two major types of materials used in producing the bipolar plate, an essential component of the fuel cell stack. Bipolar plates made in graphite have better performance in resisting corrosion and are more durable, whereas the metallic bipolar plates are thinner and with higher power density. We intend to collaborate with Toyota in research and development to improve the performance of bipolar plates and further diversify our product portfolio in the future by offering fuel cell systems with metallic bipolar plates.

We intend to invest in the development of our next generation of R&D platform with net proceeds from the Global Offering of approximately RMB562.6 million. Together with our internal resources, the investment will fund (i) our latest research and development and testing equipment, such as material testing equipment, stack testing platforms and fuel cell system testing platforms as well as integrated environment simulation chambers; (ii) material costs and hydrogen costs for product testing, research and development; (iii) additional R&D personnel to engage in the product testing, research and development; (iv) upgrades of our existing simulation, processing and analytical software; and (v) consultation and cooperation services from third-party academic institutions. See "Future Plans and Use of Proceeds".

Our R&D Achievements

Since our establishment, carrying out independent R&D and building core fuel cell technologies have always been at the heart of our business. Our years of conducting independent researches and participation in national-level R&D projects allowed us to accumulate valuable experiences, and helped us develop our fundamental technologies. Specifically, we focus on adverse weather capabilities (such as temperature, air pressure, humidity), durability, reliability, energy conversion efficiency, economy and safety as key performance metrics which we apply as benchmarks for each of our products. The following chart illustrates the details of our fundamental technologies and key performance metrics:



1. *Technology of soft control of uploading and downloading and voltage controls:* Through dynamic controls of fuel cell voltage's uploading and downloading rates, we can increase the lifespan of the fuel cell while maintaining the output of the powertrain. Our technology also controls the maximum and minimum voltage of fuel cells to delay deterioration.

2. *Efficient utilization of residual heat:* As a fuel cell system produces electricity and generate heat while operating, our technology can utilize such heat for cabin heating and other purposes to improve energy conversion efficiency.

3. *Anode pressure adaptive controls, water content closed-loop controls and integrated filtration technology:* We can control hydrogen pressure in the stack to maintain a relatively constant pressure, and to raise or lower water content so as to maintain it to a relatively constant and appropriate level. When we filter the inlet air, our systems can filter dust through physical measures by using electrostatic adsorption and filter SO_2 or NH_3 through chemical measures by using modified activated porous carbon.

4. *High power density system integration:* We designed an integrated system for high power density through measures such as simplifying product architecture, incorporating different functions, and eliminating redundant materials.

5. *Rapid freeze-start:* Our systems are capable of start-up in extremely low temperature, such as –30°C, and to reach rated power in about 99 seconds.

6. *Decoupling control of air flowrate and air pressure:* We designed a mechanism to adjust air compressor speed and backpressure valve angle to control the airflow rate and air pressure of a fuel cell system, ensuring a rapid response of the system.

7. *Error diagnosis and response controls:* Our systems can automatically detect and diagnose system errors and conduct corresponding control responses.

8. *High power density stack integration:* We designed and integrated fuel cell stacks with high power density through measures such as reducing bipolar plate's thickness, enhancing MEA performance, and utilizing new materials, such as resin, plastic and copper.

9. *High safety hydrogen storage system integration and controls:* We designed a customized hydrogen storage system and related control mechanism to ensure safety and eliminate potential hazards and risks.

10. *Reliable DC-to-DC converter technology:* We customized DC-to-DC converters to meet each fuel cell system model's features, such as freeze-start temperature and high-precision electric current control requirements.

We applied these fundamental technologies to design, develop and commercialize our fuel cell systems, such as our 30kW, 40kW, 50kW, 60kW, 80kW, 100kW, 120kW and 150kW models; and we have expanded the application to our products to various types of buses and trucks. The following table tracks the continued evolution of our products since 2016:

Key indicators	**2016–2017**	**2018–2019**	**2020–2021**
Rated power range (kW)	30	40.5–65	50–150
Power density (W/kg)	170	252–301	403–701
Freeze-start temperature (°C)	–10	–30	–35
Energy conversion efficiency (%)	47	52–57	57–62

National-level R&D projects

We participate in the national-level R&D projects to supplement our independent research and development and are aimed at preparing academic research reports and building product prototypes for various government authorities in China. We believe the PRC government plays a significant role in facilitating fuel cell technology advancements in China. The PRC government funded and administrated the State High-Tech Development Plan (國家高技術研究發展計劃), also known as the Program 863, signifying the importance of the fuel cell technologies. We believe that participating in and engaging in national-level projects could help us (i) understand the technology development strategy promoted by the Chinese government at the national level; (ii) keep up with the development of new technologies; (iii) participate in the latest innovations in the fuel cell industry; and (iv) improve our market reputation and recognition. As of June 30, 2022, we have mainly completed 19 national-level R&D projects, including five Program 863 projects, six key projects for the Ministry of Science and Technology and eight projects for the Beijing Municipal Science and Technology Commission. Some noteworthy national-level R&D projects include:

- *Program 863 Project:* Completed in 2015, we participated in a national-level R&D project jointly with Beiqi Foton to develop fuel cell technologies for fuel cell range extended trucks. One of the prototypes developed was the first fuel cell logistics vehicle in China.

- *Project for the Ministry of Science and Technology (科技部國家重點研發計劃):* Completed in 2021, we set the evaluation and testing standards in China for automotive fuel cell systems, especially for high power output products.

- *Project for Beijing Municipal Science and Technology Commission (北京市科學技術委員會):* Completed in 2021, we developed the prototype for the world's first heavy-duty truck that uses a high power output fuel cell system and an on-board liquid hydrogen system.

Independent R&D Projects

Our independent R&D projects are targeted at developing market-oriented products and technical objectives based on the market demand. As of June 30, 2022, we mainly completed 16 independent R&D projects relating to the key technologies, components and raw materials used in our products. Some noteworthy independent R&D projects include:

- *Development of graphite bipolar plates used in fuel cell systems:* We managed to decrease the thickness of the bipolar plates used in our fuel cell stacks from 2.3mm to 1.6mm (a market leading result), and increased its power density while decreased the production costs by 50% in the future.

- *Development of fuel cell system for the Beijing 2022 Olympic Winter Games:* We developed fuel cell systems tailored to the environment of the Beijing 2022 Olympic Winter Games. We achieved a number of technical breakthroughs that improved our fuel cell system's lifespan and freeze-start capability. Our fuel cell systems are installed on the transit buses that are used as the official vehicles for the Beijing 2022 Olympic Winter Games.

Arrangement of the Cooperative R&D projects

We jointly undertake R&D projects and codevelop fuel cell vehicles with research institution, government authorities and reputable vehicle manufacturers. When entering into research and development cooperation agreement, we rely on a set of different terms to protect our rightful interest as well as to ensure a healthy partnership with other participants in the cooperative R&D projects. The following sets forth a summary of material terms in the research and development cooperation agreements:

- The cooperation agreement sets out the major objectives, technical route and target schedule of the R&D project.

- The R&D project usually designates the project undertaker(s) and R&D personnel, who shall make commitments in relation to, among others, confidentiality and academic ethics and integrity.

- The R&D project undertaker shall abide the general guidance set by the commissioned party.

- The terms for such cooperation agreements range from one to five years.

- Appropriated fund shall be used in accordance with the budget agreed in the cooperation agreement, of which our contribution ranged from nil to approximately 90%, depending on the availability of central treasury funds and actual needs of the R&D projects.

- The results of the cooperative R&D projects should be assessed and evaluated and should meet relevant national or industry standards if required.

- The arrangement of research results and intellectual property rights formed and interests under the R&D projects shall be mutually agreed by all participating parties.

Unless otherwise specified, the foresaid arrangement included that, among others, (i) the intellectual property right and the R&D achievement independently developed and completed by each party according to tasks allocation shall be solely owned by that corresponding party; (ii) the intellectual property right and the R&D achievement jointly developed and completed under the R&D projects shall be jointly owned by the relevant parties according to tasks allocation. If one party assigns the jointly-owned right to apply for a patent, the other parties shall have priority in the assignment under the same conditions; and (iii) each party shall have the right to independently use the intellectual property rights and technical secrets jointly developed under the R&D projects, which shall not be transferred to a third party without the consent of the other parties.

For further specific arrangements with our partners that address intellectual property rights, see "— Intellectual Property Rights".

Ongoing R&D Projects

As of June 30, 2022, we had 19 ongoing R&D projects, comprising 15 national-level projects and four independent projects. These national-level projects are mainly focused on the high power output fuel cell systems and core fuel cell materials to improve the functionality of the fuel cell systems, such as freeze-start capability and long distance durability. Our four ongoing independent R&D projects are intended to (i) improve the efficiency, safety and lifecycle of our existing products, (ii) develop key fuel cell components (such as bipolar plates), and (iii) improve our production process. We expect that our 18 ongoing R&D projects will be completed by 2023. Some of our noteworthy ongoing R&D projects include:

- *R&D Project for the Ministry of Science and Technology:* The project is jointly undertaken by us with Tsinghua University, Beiqi Foton and Beijing National New Energy Vehicle Technology Innovation Center Co., Ltd. (北京新能源汽車技術創新中心有限公司). The objective of this project is to make the high power output fuel cell system more compatible with the hydrogen supply system for the heavy-duty vehicle.

- *R&D Project of 240 kW high power fuel cell systems:* We are updating the design of the fuel cell stacks by using and developing graphite and metal bipolar plates to improve freeze-start performance, reduce production costs, strengthen system control capability, increase hydrogen utilization, and improve stacks' durability. The goal is to develop technologies for high power output fuel cell systems to expand the application of our products to heavy-duty trucks and high-speed mobility.

To maintain our R&D advantage, we have also started our research efforts in other areas, such as hydrogen storage system, air supply system and raw materials for fuel cell stacks, such as PEM.

As of June 30, 2022, we expect that our 19 ongoing R&D projects would cost an additional amount of approximately HK$158.7 million. We intend to use our internal cash resources to fund these ongoing R&D expenses.

As of June 30, 2022, we have received 14 awards and honors domestically and internationally in recognition of our technology and R&D capabilities. We have led or participated in the formulation of 48 national or industry standards for fuel cells, which include standards for R&D and production of fuel cell city and intercity buses, standards for testing and evaluation of the lifespan of fuel cell stacks, specifications of fuel cell supply system technology and protocols of fuel cell refueling station operations such as safety protocols. We believe our participation is an indicator of our reputation and status in the industry and helped our publicity. See "— Intellectual Property Rights".

INTELLECTUAL PROPERTY RIGHTS

As of June 30, 2022, we had over 590 patents, including over 210 invention patents, over 360 utility model patents, and 20 design patents. In addition, more than 820 patent applications have been accepted by the State Intellectual Property Office of China, including more than 560 invention patents, more than 260 utility model patents and design patents, which are pending registration. As of June 30, 2022, we had 32 registered trademarks, and eight domain names. "Appendix VI — Statutory and General Information".

We believe that we have strong capabilities in providing our proprietary fuel cell systems and components to commercial vehicle manufacturers in China. However, our success depends in part on our ability to protect our core technologies and intellectual property rights.

We have non-disclosure agreements with our employees, and additional non-competition or similar agreements with our R&D staff and senior officers in other departments. We own all intellectual property developed during the course of employment of our employees and such rights survive the termination of their respective employment. We may reward employees who have made outstanding contributions in our development of intellectual property.

During our cooperation with third-parties, we may solely or jointly own our intellectual property rights depending on our agreements with our partners. As advised by our PRC Legal Advisor, as of June 30, 2022, we had the following arrangements with our partners that address intellectual property rights:

(1) we had the right to use 118 jointly-owned intellectual property rights with State Grid and its subsidiaries, but if were to license or transfer them to third parties, we may be required to obtain consent from State Grid or its subsidiaries;

(2) we jointly owned eight intellectual property rights with Illumining Power Inc. as a result of our cooperation in fuel cell technology developments. We have sole, exclusive and perpetual rights to use and have unrestricted discretion to license, sublicense, distribute, resell or assign such rights in China. For any potential use of these rights outside China in the future, we intend to negotiate and agree in advance with Illumining Power Inc; and

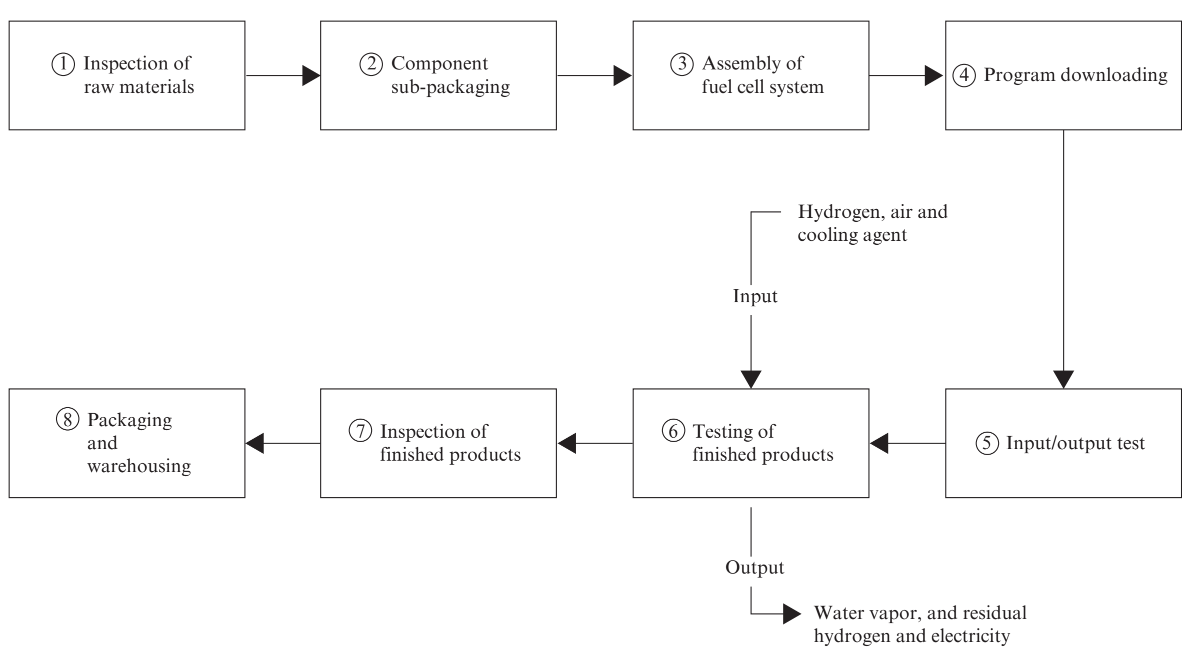
(3) we are required to obtain consent from Tsinghua University to independently exercise three jointly-owned intellectual property rights for commercial use.

We have adopted and implemented policies to protect our core technologies. We have entered into non-disclosure agreements with our core employees and regularly monitored the status of intellectual property rights of our products under development to avoid infringement. In addition, we include clauses relating to the ownership and protection of intellectual property rights in most of our research and development agreements with business partners and third-party institutes. We also require our business partners and third-party institutes to avoid infringement of intellectual property rights of other third parties.

Any dispute arising from these intellectual property rights is subject to relevant PRC laws and regulations. During the Track Record Period up to the Latest Practicable Date, we have not been subject to any material intellectual property infringement claims. See "Risk Factors — Risks Relating to Our Business — We may not be able to adequately protect our intellectual property, which could cause us to be less competitive. Intellectual property infringement claims or other allegations by third parties and third-party infringements of our intellectual property rights may adversely affect our business".

OUR PRODUCTION

The following diagram illustrates the principal steps of our manufacturing process for fuel cell systems.



1. *Inspecting raw materials[(1)]:* we unpack raw materials and components and inspect their appearance, size and performance.

2. *Component and parts:* we divide the components of fuel cell system into different modules to prepare them for the next stage of production.

3. *Assembling the system:* assemble the modular components and remaining parts into a complete fuel cell system.

4. *Program downloading:* program the control system and software into the fuel cell system.

5. *Input/output test:* after the system is assembled, we use specific test programs and equipment to test the functioning of sensors and actuators connected to the controller within the system.

6. *Testing of finished products:* we test the insulation, air tight feature and power output of a fuel cell system by using test benches; we also test a fuel cell system's performance in various weather conditions (such as temperature, air pressure, and humidity) by using an environment simulator.

7. *Inspecting finished products:* we inspect the finished products to make sure there is no apparent damages.

8. *Packing and storage:* we pack the completed products after passing inspection and storing them in our warehouse.

(1) Our raw materials include fuel cell stacks, air compressors, DC-to-DC converters and other components, some of which come from our Shanghai Plant. The production process is divided into nine steps including pressing, immersion, making bipolar plates, checking against leakage, stacking, checking against leakage of stacks, testing, sealing and packaging.

We adopt an "on-demand manufacturing" approach for the batch production of fuel cell systems where we start manufacturing only after a customer order is received and confirmed. During the Track Record Period, our production volume for a period usually exceeded the sales volume of the same period, which was mainly due to (i) a time difference between order placement and product delivery and (ii) certain products were produced for our own research and development or as spare parts for after-sale repair and maintenance.

The whole production cycle for our fuel cell systems from inspecting raw materials to packing and storage of finished goods is around 15 days, including ten days for the production of in-house manufactured fuel cell stacks. However, the production lead time is subject to the availability and delivery lead time of raw materials such as key parts and components. See "Risk Factors — Risks Relating to Our Business — We rely on a small number of major suppliers. If we fail to obtain sufficient amounts of raw materials or components in time or that meet our quality standards and/or at commercially acceptable prices, our business, financial condition and results of operations would be materially and adversely affected".

Our Production Facilities

Our production plant for fuel cell systems in Zhangjiakou, Hebei Province (also referred to as our Zhangjiakou Plant) is China's first self-developed semi-automatic plant for the batch production of fuel cell systems and has a total GFA of approximately 47,985 sq.m. We have established and implemented a customized management system that covers the entire production process to ensure effective control of design, procurement, manufacturing, inspection and testing. As of the Latest Practicable Date, our Zhangjiakou Plant had a maximum annual production capacity of 10,000 units of fuel cell systems, which was expected to be fully operational by the end of 2022. We deploy our independently developed technical know-hows and equipment for the key processes during the production of fuel cell system. Major production facilities in Zhangjiakou Plant include automated mechanical arms, automated guidance vehicles and production test benches.

In addition, we have another production plant for fuel cell stacks in Shanghai (also referred to as our Shanghai Plant), which has a total GFA of approximately 12,066 sq.m. As of the Latest Practicable Date, our Shanghai Plant has a maximum annual production capacity of 1,000 units of fuel cell stacks. Major production facilities include testing benches for fuel cell stacks, cutting machines, vacuum pressing machine and glue spreading machine.

We regularly inspect and maintain our production facilities and conduct overall overhauls of specific production facilities. We implement specific maintenance procedures for production facilities based on each equipment's unique characteristics to ensure their proper operations. During the Track Record Period, we did not experience any major or long-lasting cessation of business due to failure of machinery, equipment or other facilities.

The fuel cell vehicle industry in China is growing rapidly. Since the PRC government announced the first batch of fuel cell vehicle demonstration city clusters in August 2021, we have been expecting more policies to be introduced to support the fuel cell vehicle industry in China. According to the CIC Report, the China Society of Automotive Engineers projected that there would be over one million fuel cell vehicles on the road in China by 2035. The annual sales volume of the fuel cell vehicles in China increased from approximately 1,300 in 2017 to approximately 1,600 in 2021, and is expected to further increase to 48,200 in 2026, representing a CAGR of 97.7% for the period from 2021 to 2026. In addition, the annual sales volume of fuel cell systems increased from approximately 1,500 units in 2017 to approximately 2,200 units in 2021, and is expected to further increase to approximately 52,900 units in 2026, representing a CAGR of 89.5% for the period from 2021 to 2026. As a leading fuel cell system provider and one of the earliest participants in the national-level fuel cell R&D projects in China, we intend to actively follow PRC's national development plans for the fuel cell vehicle industry and continue to expand our production capacity for both fuel cell systems and stacks to be better prepared for the substantial surge in market demand for our products in the near future.

Production facility in the process of application for property certificates

In April 2020, we obtained the construction permit to commence the expansion project and construction of second phase of our Zhangjiakou Plant. We planned a total amount of RMB600 million with a construction period of approximately 36 months. In August 2022, we completed the construction of the second phase of our Zhangjiakou Plant. As of the Latest Practicable Date, our Zhangjiakou Plant had a maximum annual production capacity of 10,000 units of fuel cell systems, which was expected to be fully operational by the end of 2022. This expansion project is funded by the proceeds raised from our A Share listing in 2021. As advised by our PRC Legal Advisor, we have obtained all the necessary approval or permits for land and construction of the second phase of our Zhangjiakou Plant. As of the Latest Practicable Date, we are applying for the relevant property certificates for the second phase of our Zhangjiakou Plant. As advised by our PRC Legal Advisor, we will obtain the ownership right of the second phase of our Zhangjiakou Plant upon having obtained the relevant property certificates and there is no substantial legal impediments for us to obtain the relevant property certificates.

Expansion Plan

To meet the greater market demand for fuel cell systems and to enhance our production capability, particularly during the fourth quarter, we intend to expand our production capacity of fuel cell stacks at our Shanghai Plant. We plan to purchase additional new equipment and machinery, such as robot compression molding machine, impregnation equipment, robot screen printing machine and automatic stacking machine, molds and tools. We also intend to invest in information and management systems to further optimize operating efficiency and product quality. We plan to ramp up our stack production capacity by stages. Our existing maximum annual production capacity is 1,000 units per year. We expect to utilize our internal funding to gradually achieve the additional maximum annual production capacity of 5,000 units in the next three years and our total maximum annual production capacity of fuel cell stacks would be 2,000 units by July 2023, 3,000 units by July 2024 and 6,000 units by July 2025.

Considering (i) the PRC government's favorable policies supporting the fuel cell related industry; (ii) CIC's estimates regarding the increasing future demand for fuel cell vehicles in the next five years; (iii) utilization of existing production facilities and the seasonality of our production; (iv) the need to maintain our competitive advantage in the market; and (v) estimated construction costs and our ability to obtain adequate capital resources, we believe that it is necessary to expand our production capacity for the fuel cell stacks at our Shanghai Plant. We also believe that we can benefit from the economies of scale based on the size of the operations and scale of production capacity, and can enhance our ability to meet customers' demands in the fourth quarter. For the expansion plan of our Shanghai Plant, we expect to reach the breakeven point within two years from the starting date, and recover our cost by the end of 2029 so the estimated payback period is within 6.8 years.

Our Production Capacity

The following table set forth the designed production capacity, actual production volume and utilization rate of our Zhangjiakou Plant for fuel cell systems during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Designed production capacity (units)(1)	2,000	2,000	2,000	984
Actual production volume (units)	601	552	789	527
Utilization rate (%)(2)	30.1	27.6	39.5	53.6

(1) The designed production capacity is based on one single shift with eight working hours per day and 250 working days per year (250 working days are based on five working days per week multiplied by 52 weeks minus the number of statutory holidays in China for the year).

(2) Utilization rate is calculated based on the actual production volume divided by the designed production capacity.

The following table set forth the quarterly designed production capacity, actual quarterly production volume and utilization rate of our Zhangjiakou Plant for fuel cell systems during the Track Record Period:

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full year
2019	Production volume (units)	38	71	59	433	601
	Utilization rate (%)	7.8	14.3	11.3	87.3	30.1
2020	Production volume (units)	42	13	81	416	552
	Utilization rate (%)	8.6	2.6	15.6	83.9	27.6
2021	Production volume (units)	9	144	203	433	789
	Utilization rate (%)	1.8	29.0	39.0	87.3	39.5
2022	Production volume (units)	171	356	N/A	N/A	N/A
	Utilization rate (%)	35.0	71.8	N/A	N/A	N/A
Quarterly designed capacity (units)(1)		488	496	520	496	10,000(2)

(1) Quarterly designed capacity is based on the number of designed working days for the quarter minus the number of statutory holidays in China for the relevant quarter.

(2) In August 2022, we completed the construction of second phase of our Zhangjiakou Plant. As of the Latest Practicable Date, our Zhangjiakou Plant had a maximum annual production capacity of 10,000 units of fuel cell systems, which was expected to be fully operational by the end of 2022.

During the Track Record Period, consistent with the industry-wide seasonality in China, our production volume normally peaked in the fourth quarter. In 2019, we produced 168 units in the first three quarters, and 433 units in the fourth quarter that accounted for 72.0% of our total production volume. In 2020, we produced 136 units in the first three quarters, and 416 units in the fourth quarter that accounted for 75.4% of our total annual production volume. In 2021, we produced 356 units in the first three quarters, and 433 units in the fourth quarter that accounted for 54.9% of our total production volume. In 2019, 2020 and 2021, the utilization rate at our Zhangjiakou Plant in the fourth quarter reached 87.3%, 83.9% and 87.3%, respectively.

The following table set forth the designed production capacity, actual production volume and utilization rate of our Shanghai Plant for fuel cell stacks during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Designed production capacity (units)(1)	1,000	1,000	1,000	492
Actual production volume (units)(2)	613	332	706	572
Utilization rate (%)(3)	61.3	33.2	70.6	116.3

(1) The designed production capacity is based on one single shift with eight working hours per day and 250 working days per year (250 working days are based on five working days per week multiplied by 52 weeks minus the number of statutory holidays in China for the year).

(2) Shanghai SinoFuelCell sold 603, 329, 546 and 499 units of fuel cell stacks to the Group and 10, 3, 29 and 41 units to third-party customers in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Shanghai SinoFuelCell production volume of fuel cell stacks exceeded its respective sales volume in 2021 and the six months ended June 30, 2022, which was mainly due to the fact that (i) there was a time difference between placing orders and product delivery, and (ii) certain products were produced for in-house research and development purpose or as spare products for after-sale purpose.

(3) The utilization rate is calculated based on the actual production volume divided by the designed production capacity.

The following table set forth the quarterly designed production capacity, actual quarterly production volume and utilization rate of our Shanghai Plant for fuel cell stacks during the Track Record Period.

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full year
2019	Production volume (units)	8	73	135	397	613
	Utilization rate (%)	3.3	29.4	51.9	160.1	61.3
2020	Production volume (units)	17	9	54	252	332
	Utilization rate (%)	7.0	3.6	20.8	101.6	33.2
2021	Production volume (units)	104	101	112	389	706
	Utilization rate (%)	42.6	40.7	43.1	156.9	70.6
2022	Production volume (units)	162	410	N/A	N/A	N/A
	Utilization rate (%)	66.4	165.3	N/A	N/A	N/A
Quarterly designed capacity (units)(1)		244	248	260	248	1,000

(1) Quarterly designed capacity is based on the number of designed working days for the quarter minus the number of statutory holidays in China for the relevant quarter.

Our in-house production of fuel cell stacks is also subject to the same industry-wide seasonality that affects our fuel cell system production. For example, in 2019, we produced 216 units in the first three quarters, and 397 units in the fourth quarter that accounted for 64.8% of our total annual production volume. In 2020, we produced 80 units in the first three quarters, and 252 units in the fourth quarter that accounted for 75.9% of our total annual production volume. In 2021, we produced 317 units in the first three quarters, and 389 units in the fourth quarter that accounted for 55.1% of our total annual production volume. In 2019, 2020 and 2021, the utilization rate of our fuel cell stacks in the fourth quarter reached 160.1%, 101.6% and 156.9%, respectively.

As fuel cell stack is a core component of the fuel cell system, we generally produce fuel cell stacks before fuel cell systems and the utilization rate of our production plant for fuel cell stacks also reaches its peak around October every year. We produced fewer fuel cell stacks in the fourth quarter of 2020 compared to 2019 primarily due to an increase in the purchase of fuel cell stacks from third-party manufacturers with relatively stable sales volume of fuel cell system in 2020. According to the CIC Report, our production pattern for fuel cell systems and fuel cell stacks is in line with the industry practice. We intend to work with our customers on potential arrangements that could assist us to complete our order earlier so as to reduce the impact of seasonality. We are also working to increase our production capacity through expansion to achieve the same end.

We generally contract with customers before commencing production and have control procedures to strengthen the management of production orders. In particular, our production officer reviews the production orders, checks whether the materials required for the orders are sufficient, analyzes the material's delivery date and other factors required for production to determine whether the orders can be produced on a normal schedule. If the production line encounters a high volume of orders, and the production schedule exceeds the production capacity in the peak season (mainly the fourth quarter), we would make necessary arrangements to alleviate such short-term capacity constraint, such as adding one more shift per day for each production line, having additional short-term labor, and arranging overtime work during the weekends. We had additional 65, 104 and 106 short-term labor in total to increase the workforce of production lines and meet the greater market demand for fuel cell systems in the intensive season of 2019, 2020 and 2021, respectively. To maintain a comprehensive system of quality control, we also provided training and documented policies and procedures for the intensive season for production. During the Track Record Period, we did not outsource any production process of our products.

Quality Control and Warranty

We perform quality control, inspection, testing, identifying defects and irregularities throughout all stages in our production process. Our employees follow our quality control protocols to control and monitor each stage of our operating process, including procurement of core components and raw materials, production and inspection of finished products, to ensure product quality.

We believe it is important to improve the quality and reliability of our products, and therefore we continue to increase productivity by streamlining our production procedures and increasing the use of modularization design, improving inspection and control measures for materials and components, and enhancing the durability through quality assurance measures. To this end, our quality control team supervises the operating process to improve the quality and reliability of our products; meanwhile, we also host internal meetings regularly to discuss issues arising from the production process and to formulate tactics for potential improvement.

During the Track Record Period and up to the Latest Practicable Date, there were no product recalls or returns, product liability claims, or customer complaints that materially and adversely affected our business. We normally provide five-year warranties as stated in our contracts with the customers. Our warranty policy is usually limited to defects or failure of products that do not satisfy product specification or fall short of the quality standards agreed with our customers. In case of product failure, we are able to analyze our fuel cell systems through remote access and diagnosis, and identify and cure the problems.

In 2019, 2020, 2021 and the six months ended June 30, 2022, our warranty expenses amounted to RMB2.3 million, RMB0.5 million, RMB3.1 million and RMB1.3 million, respectively.

INVENTORY MANAGEMENT

Our inventories include finished products, parts and raw materials, primarily fuel cell stacks, air compressors, hydrogen storage systems, and DC-to-DC converters. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had RMB204.7 million, RMB172.6 million, RMB260.4 million and RMB295.0 million of inventories, respectively.

In 2019, 2020, 2021 and the six months ended June 30, 2022, our inventory turnover days were 188 days, 212 days, 201 days and 305 days, respectively. Our procurement of inventories based on customer orders to minimize inventory, and we also impose strict inventory control policies to monitor our inventory levels. However, given the supply chains associated with the PRC fuel cell system market are relatively less developed compared to internal combustion engine and battery electric vehicle markets, we need to procure certain key parts and components such as DC-to-DC converters and MEA in advance to ensure our committed product delivery date to our customers. In addition, as many of our components and spare parts are customized and the availability of spare parts for older models of fuel cell systems may decrease, we are required to maintain a sufficiently large number of spare parts to cover repair and maintenance needs from our customers during our product warranty period which ranges from five to eight years. As a result, our inventory turnover days were relatively long during the Track Record Period.

OUR SUPPLIERS

We select and procure raw materials from third-party suppliers. The raw materials we procure primarily include fuel cell stacks, bipolar plates and MEA, air compressors, hydrogen storage systems and DC-to-DC converters.

Early in the Track Record Period, we have purchased certain raw materials and components from overseas suppliers. As our business progresses, we gradually established stable partnership with domestic suppliers in order to ensure our capability to produce and deliver quality products in a timely manner in response to our customers' demand.

In 2019, 2020, 2021 and the six months ended June 30, 2022, our purchases of raw materials from overseas suppliers amounted to approximately RMB72.8 million, RMB25.0 million, RMB11.1 million and RMB2.8 million, which accounted for 16.9%, 7.2%, 2.1% and 1.4% of the purchases for the same period respectively.

Meanwhile, in 2019, 2020, 2021 and the six months ended June 30, 2022, the total costs of raw materials amounted to approximately RMB278.2 million, RMB299.0 million, RMB345.2 million and RMB126.0 million respectively, which accounted for 90.5%, 92.1% and 87.7% and 76.5% of the total cost of sales for the corresponding period respectively.

We select our suppliers based on a number of factors, including the history of our relationship with them, product quality, supply capacity, R&D capability, price, and delivery punctuality. To avoid reliance on any single supplier, our policy is to source each major raw material from at least two different suppliers. We are able to secure a stable raw materials supply and procure raw materials at competitive market prices as we believe our good trade reputation, large production scale and long-term relationships with our suppliers make us one of their preferred business counterparties. In addition, we actively participated in R&D projects and industry events to seek more potential suppliers and our joint venture and major associates will also focus on developing the core components which could help integrate the supply chain.

In 2019, 2020, 2021 and the six months ended June 30, 2022, purchases from our five largest suppliers amounted to RMB172.0 million, RMB172.5 million, RMB298.3 million and RMB95.4 million, respectively, representing 40.1%, 50.5%, 55.2% and 48.5%, respectively, of our total purchase, and the purchase from our largest supplier in each year during the Track Record Period amounted to RMB43.3 million, RMB97.9 million, RMB185.7 million and RMB44.4 million, respectively, representing 10.1%, 28.6%, 34.3% and 22.6%, respectively, of our total purchase during the same periods. According to the CIC Report, since the fuel cell vehicle industry is still at a stage of early development, its supply chains are less developed compared to the internal combustion engine industry or battery electric vehicle industry, and the number of high-quality suppliers of fuel cell parts and components, especially in China, has been limited. As a result, we have a limited choice of suppliers when it comes to fuel cell parts and components, which may continue in the future if the supply chain of the fuel cell industry does not develop as we expect. Our business relationship with major suppliers is based on mutual interests. We intend to secure stable supply of raw materials at a competitive price and avoid additional costs for repetitive testing on the same materials. Our suppliers may enjoy a steady stream of income in supporting our batch productions. Our suppliers may also improve their product quality through our jointly performed testing activities and the technical support we provide. Considering the long-term relationship with our major suppliers, we believe the likelihood of termination or a material adverse change of such relationship is relatively low.

During the Track Record Period, our five largest suppliers mainly comprised manufacturers of fuel cell stacks and accessories, fuel cell stack raw materials (such as bipolar plates and MEA), hydrogen storage systems and air compressors. We rely on Toyota for fuel cell stacks during the Track Record Period. In 2019, 2020, 2021 and the six months ended June 30, 2022, our purchases from Toyota accounted for 5.7%, 28.6%, 34.3% and 0.8% of our total procurement during the relevant periods. Such decrease of purchases from Toyota in the six months ended June 30, 2022 was primarily due to the increased use of fuel cell stacks produced by our Group and Toyota Sinohytec.

Our procurement plans are formulated based on our sales targets, production capacity and market conditions. During the Track Record Period, we did not enter into long-term purchase agreements with our major suppliers. Our supply contracts with our suppliers are generally for a term of not more than one year which can be renewed upon mutual agreement. Our suppliers generally provide us with credit terms within 90 days, and we pay our suppliers mainly through bank transfers or bills. Details of raw material specifications and quality standards, prices, quantities, payment obligations, product obligations and termination terms are specified in the purchase orders.

During the Track Record Period, all of our five largest suppliers were Independent Third Parties and none of our Directors, Supervisors or their close associates or Shareholders who, to the best knowledge, information, and belief of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers. During the Track Record Period, one of our top five suppliers is also our top five customer. See "— Our Customers — Overlapping of Major Customers and Suppliers".

The following table sets forth key information about our top five suppliers for the six months ended June 30, 2022:

Supplier	Background	Major products purchased	Purchase amount	Percentage of our total purchase	Year started	Credit period	Settlement Method
			(RMB '000)	*(%)*			
Shanghai Tangfeng Energy Technology Co., Ltd. (上海唐鋒能源科技有限公司) ("**Shanghai Tangfeng**")[(1)]	A company registered in the PRC; its principal businesses are the design, R&D, manufacturing and sales of MEA.	MEA	44,387	22.6	2020	Within 60 days	Bills
Hebei Kingston Technology Co., Ltd. (河北金士頓科技有限責任公司) ("**Hebei Kingston**")[(2)]	A company registered in the PRC and is mainly engaged in production, sales and installation of products such as air suspension centrifugal blowers, high-speed rolling bearing and air compressors.	Air compressors	16,122	8.2	2019	Within 90 days	Bills
Shinry Technologies Co., Ltd. (深圳欣銳科技股份有限公司)	An A-share listed company; it is a national high-tech enterprise with new energy vehicle industry as its core business and its main products are vehicle-mounted DC/DC converters and on board charger.	DC/DC converters	15,227	7.7	2021	Within 90 days	Wire transfer, bills
Jiangsu Guofu Hydrogen Energy Equipment Co, Ltd. (江蘇國富氫能技術裝備股份有限公司) ("**Jiangsu Guofu**")[(1)]	A company registered in the PRC; its principal businesses are the R&D, manufacturing and sales of hydrogen energy equipment, and the provision of relevant technical services.	Hydrogen storage systems	10,779	5.5	2019	Within 90 days	Wire transfers, bills
Wuhan WUT HyPower Technology Co., Ltd. (武漢理工氫電科技有限公司) ("**Wuhan WUT**")[(1),(2)]	An associate company of an A-share listed company, which is mainly engaged in sales, development and application of PEM and its core parts, MEA and fuel cell modules.	MEA	8,886	4.5	2016	Prepayment or within 60 days	Bills

The following table sets forth key information about our top five suppliers in 2021:

Supplier	Background	Major products purchased	Purchase amount	Percentage of our total purchase	Year started	Credit period	Settlement method
			(RMB'000)	*(%)*			
Toyota[(1), (2)]	A company listed on Tokyo Stock Exchange, Nagoya Stock Exchange, New York Stock Exchange and London Stock Exchange; its principal businesses are the R&D of vehicles and vehicle components, conversion of technology research results and sales of technology products.	Fuel cell stacks	185,694	34.3	2019	Prepayment or within 60 days	Wire transfer
Shanghai Tangfeng[(1)]	As disclosed in the table above	MEA	56,012	10.4	2020	Within 60 days	Bills
Toyota Sinohytec[(1)]	A company registered in the PRC and is mainly engaged in production and sales of fuel cell stacks.	Fuel cell stacks	23,730	4.4	2021	Within 30 days	Wire transfer, bills
Hebei Kingston	As disclosed in the table above	Air compressors	16,500	3.1	2019	Within 90 days	Bills
Wuhan WUT[(1),(2)]	As disclosed in the table above	MEA	16,324	3.0	2016	Prepayment or within 60 days	Bills

The following table sets forth key information about our top five suppliers in 2020:

Supplier	Background	Major products purchased	Purchase amount	Percentage of our total purchase	Year started	Credit period	Settlement method
			(RMB'000)	*(%)*			
Toyota[(1), (2)]	As disclosed in the table above	Fuel cell stacks	97,880	28.6	2019	Prepayment or within 60 days	Wire transfer
Shanghai Tangfeng[(1)]	As disclosed in the table above	MEA	23,770	7.0	2020	Within 60 days	Bills
Beijing Ketaike Technology Co., Ltd. (北京科泰克科技有限責任公司) ("**Beijing Ketaike**")[(1)]	A company registered in the PRC; its principal businesses are the design, production, sales and production of high-pressure vessels; products include hydrogen storage systems, compressed hydrogen composite bottles for vehicles, etc.	Hydrogen storage systems	17,399	5.1	2013	Within 90 days	Wire transfer, bills
Zhejiang Niun New Energy Technology Co., Ltd. (浙江紐能新能源科技有限公司) ("**Zhejiang Niun**")	A company registered in the PRC; its principal businesses are the R&D and production of new energy products and their key components; major products include fuel cell graphite bipolar plates.	Graphite bipolar plates	16,959	5.0	2017	Within 60 days	Bills

Supplier	Background	Major products purchased	Purchase amount	Percentage of our total purchase	Year started	Credit period	Settlement method
			(RMB'000)	(%)			
Beijing Peric Hydrogen Technologies Co., Ltd. (北京派瑞華氫能源科技有限公司) ("**Beijing Peric**")[1]	A company registered in the PRC; its principal businesses are conversion and utilization of renewable energy, hydrogen production and refueling integrated equipment, hydrogen energy infrastructure equipment, high-efficiency reversible fuel cell electrolysis equipment, hydrogen storage systems, development and manufacturing of hydrogen-related high-pressure pipe valves and other fields, and technical advisory services for hydrogen energy engineering projects.	Hydrogen storage systems	16,498	4.8	2018	Within 90 days	Wire transfer, bills

The following table sets forth key information about our top five suppliers in 2019:

Supplier	Background	Major products purchased	Purchase amount	Percentage of our total purchase	Year started	Credit period	Settlement method
			(RMB'000)	(%)			
Hebei Kingston	As disclosed in the table above	Air compressors	43,319	10.1	2019	Within 90 days	Bills
Wuhan WUT[1], [2]	As disclosed in the table above	MEA	36,628	8.5	2016	Prepayment or within 60 days	Bills
Zhejiang Niun	As disclosed in the table above	Graphite bipolar plates	35,520	8.3	2017	Within 60 days	Bills
Johnson Matthey Fuel Cells	A subsidiary of a UK-listed company; its principal businesses are manufacture and sales of MEA including MEA, fuel processors, and fuel cell catalysts.	MEA	32,281	7.5	2019	Within 30 days	Wire transfer
Toyota[1], [2]	As disclosed in the table above	Fuel cell stacks	24,285	5.7	2019	Prepayment or within 60 days	Wire transfer

(1) Such supplier is also our customer during the Track Record Period. See "— Our Customers — Overlapping of Major Customers and Suppliers".

(2) Transaction with such supplier is presented on common controlling shareholder group basis.

OUR CUSTOMERS

Our customers are primarily large commercial vehicle manufacturers in China, such as Beiqi Foton, Yutong Bus and Geely Commercial Vehicles.

In 2019, 2020, 2021 and the six months ended June 30, 2022, sales to our five largest customers amounted to RMB508.0 million, RMB444.4 million, RMB529.7 million and RMB254.9 million, respectively, representing 91.9%, 77.7%, 84.2% and 94.7% of our total revenue, respectively. Sales to our largest customer in each year during the Track Record Period amounted to RMB193.2 million, RMB149.2 million, RMB339.9 million and RMB182.9 million, respectively, representing 34.9%, 26.1%, 54.0% and 68.0% of our total revenue, respectively.

According to the CIC Report, the fuel cell vehicle industry is still at a stage of early development where the industry is small in scale and high in market concentration. As of December 31, 2021, the market share of the five largest fuel cell vehicle manufacturers ranked by sales volume was over 60%. Therefore, during the Track Record Period, most of our revenue were derived from a few major customers, and our customer base may continue to remain at a relatively high concentration at the early development stage of the fuel cell vehicle industry.

We have long-standing business relationship with our major customers. Our long-term and stable business relationship with our major customers are mutually beneficial. Our customers could enjoy relatively stable supply of products that tailored to their business operations and we could generate revenue as a result. We are also driven by our customers' demand for providing better products and seeking to improve our R&D capabilities. Such long-term business relationships with recognized commercial vehicle manufacturers also help us build our brand awareness and reputation in the market. Due to the mutual benefits, we believe the likelihood of termination or a material adverse change of such long-term relationship is relatively low.

We believe that we and our customers are mutually dependent. We work closely with vehicle manufacturers to explore and develop the application scenarios of fuel cell vehicles and are dependent on them to sell fuel cell vehicles that are equipped with our fuel cell systems to end-users. We believe that vehicle manufacturers are also dependent on us because of (i) the compatibility of our products with their vehicle models; and (ii) the seamless cooperation in developing new vehicle models built on our deep understanding of their products specification and standard, which would enable them to save time and costs from fuel cell systems operation testing and obtaining approval from MIIT for their new vehicle models. To receive government subsidies, vehicle manufacturers are required to ensure their new models of fuel cell vehicles are listed on the MIIT New Energy Vehicle Catalog. See "Regulatory Overview — Government Policies Relating to Fuel Cells — Government Subsidies for NEV Purchasers and Sellers".

Moreover, we expect that we can raise the end customers' confidence in purchasing fuel cell vehicles that are equipped with our fuel cell systems, which are in high quality and have outstanding performance. Such market demand has further driven and contributed to the mutual dependent relationship. In addition, we are of the view that our products are not readily substitutable because of our products' high performance in rated power, power density, freeze-start capability and energy conversion efficiency, our continuous R&D efforts to improve the performance of our products and favorable government policies in promotion of fuel cell vehicle.

Sales contracts with our customers are generally for a period of one year, where details of product specifications and quality standards, prices, quantities, payment obligations, delivery methods and termination terms is expected to be specified in the relevant sales contracts. We generally provide customers with credit periods ranging from 30 to 90 days, and we usually receive payments via bills.

During the Track Record Period, several of our customers held some of our equity with an aim to foster a closer business relationship with us. In particular, as of December 31, 2019, Yutong Bus held 5.29% of our Shares through its subsidiary, Tibet Kangrui Yingshi, and such holding decreased to 3.97% as of December 31, 2020, December 31, 2021 and June 30, 2022, and it directly held 3.92% of our Shares. Yutong Bus was among our top five customers in 2019. In 2019, 2020, 2021 and the six months ended June 30, 2022, our sales with Yutong Bus were RMB100.5 million, RMB0.1 million, RMB20.1 million and RMB5.4 million, respectively, representing 18.2%, 0.01%, 3.20% and 2.0% of our total sales for the respective periods. In addition, as of December 31, 2019, Tunghsu Optoelectronic, parent of Shanghai Shenlong (one of our top five customers during the Track Record Period), held 4.85% of our Shares, which was decreased to 3.64% as of December 31, 2020 and 3.59% as of December 31, 2021 and June 30, 2022. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our sales with Shanghai Shenlong were RMB193.2 million, RMB0.5 million, RMB0.5 million, and nil respectively, representing 34.9%, 0.1%, 0.08% and nil of our total sales in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. See "Financial Information — Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables".

Save as disclosed above, during the Track Record Period, all of our five largest customers were Independent Third Parties and none of our Directors, Supervisors or their close associates or Shareholders who, to the best knowledge, information, and belief of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers.

During the Track Record Period, we had one canceled order of selling fuel cell components to Beiqi Foton with an expected sales amount of RMB13.7 million in 2020 by mutual agreement with no penalties occurred, as Beiqi Foton held back its purchase plan during the performance of the contract and withdrew the separate order for fuel cell components after negotiation with us. We did not start preparing or production for this canceled order and hence we did not incur any production cost.

We generally consider (i) the extent to which the proposed canceled order will affect our business and financial results of operations; and (ii) the history of the cooperation and business relationship with certain customer when it seeks our consent to cancel any order. Taking these factors into consideration, and upon negotiation and mutual consensus by both parties, the customer can cancel orders without any penalties.

The following table sets forth key information about our top five customers for the six months ended June 30, 2022:

Customer	Background/Scale of Operations	Major products provided by our Group	Revenue derived from the customer	Percentage of our revenue	Year started	Credit period	Settlement Method
			(RMB'000)	*(%)*			
Beiqi Foton[1]	An A-share listed company; its principal businesses are the production and sales of commercial vehicles; it possesses a brand of new energy passenger vehicles for commercial operations; and specializes in the R&D of new energy passenger vehicles, production and manufacturing, sales of large- and medium-sized passenger vehicles and chassis.	Fuel cell systems and spare components	182,946	68.0	2016	Within 90 days	Wire transfer, bills
China First Automobile Co., Ltd (中國第一汽車股份有限公司)[1]	A company registered in the PRC; its principal businesses are the R&D, manufacturing and sales of passenger vehicles and light, medium and heavy commercial vehicles	Fuel cell systems and spare components	43,744	16.3	2020	Within 60 days	Bills
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)[1]	An A-share listed company; it is one of the leading enterprises in the global equipment manufacturing industry, and its main products include machinery used for concrete, excavating, lifting, piling, road construction, etc.	Fuel cell systems and spare components	11,386	4.2	2020	Within 30 days	Wire transfer
Xiamen Golden Dragon Bus Co., Ltd. (廈門金龍旅行車有限公司) ("**Xiamen Golden Dragon**")[1]	A company registered in the PRC; it is a domestic bus manufacturer and national automobile exporter, which engages in R&D manufacturing and sales of vehicles.	Fuel cell systems	11,327	4.2	2018	Within 30 days	Wire transfer, bills
Toyota Sinohytec[2]	A company registered in the PRC and is mainly engaged in production and sales of fuel cell stacks.	Technology development services	5,459	2.0	2021	Within 30 days	Wire transfer, bills

The following table sets forth key information about our top five customers in 2021:

Customer	Background/Scale of Operations	Major products provided by our Group	Revenue derived from the customer	Percentage of our revenue	Year started	Credit period	Settlement method
			(RMB'000)	(%)			
Beiqi Foton[1]	As disclosed in the table above	Fuel cell systems, spare components and technology development services	339,902	54.0	2016	Within 90 days	Wire transfer, bills
Xiamen Golden Dragon	As disclosed in the table above	Fuel cell systems	89,204	14.2	2018	Within 30 days	Wire transfer, bills
Hebei Leisa Heavy Construction Machinery Co., Ltd. (河北雷薩重型工程機械有限責任公司) ("**Hebei Leisa**")	A company registered in the PRC; its principal businesses are the technology development, technology transfer, technology consultation, technology servicing and manufacturing of special vehicles, vehicle components and construction machinery.	Fuel cell systems	41,515	6.6	2020	Within 30 days	Wire transfer, bills
Sichuan FAW Toyota Motor Co., Ltd. (一汽豐田汽車(成都)有限公司)	A company registered in the PRC and a wholly owned subsidiary of a joint venture beneficially co-owned by a state-owned vehicle manufacturer and Toyota; it is a manufacturer of medium, heavy and light trucks and buses.	Spare components	37,008	5.9	2020	Within 30 days	Wire transfer, bills
Toyota[1][2]	A company listed on Tokyo Stock Exchange, Nagoya Stock Exchange, New York Stock Exchange and London Stock Exchange; its principal businesses are the R&D of vehicles and vehicle components, transformation of technical achievements and sales of technical products.	Spare components and technology development services	22,056	3.5	2015	Prepayment or within 20 days	Wire transfer, bills

The following table sets forth key information about our top five customers in 2020:

Customer	Background/Scale of Operations	Major products provided by our Group	Revenue derived from the customer	Percentage of our revenue	Year started	Credit period	Settlement method
			(RMB'000)	*(%)*			
Beiqi Foton[1]	As disclosed in the table above	Fuel cell systems, spare components and technology development services	149,152	26.1	2016	Within 90 days	Wire transfer, bills
Geely Commercial Vehicle	A company registered in the PRC; it is a professional production enterprise that integrates the design, manufacture, sales and servicing of new energy commercial vehicles and natural gas engines.	Fuel cell systems, spare components and technology development services	138,113	24.1	2018	Within 75 days	Wire transfer, bills
Hebei Leisa	As disclosed in the table above	Fuel cell systems	76,991	13.5	2020	Within 30 days	Wire transfer, bills
Zhongtong Bus Co., Ltd. (中通客車股份有限公司)	An A-share listed company; its principal businesses are production, sales, leasing, R&D of components and retail of accessories for passenger vehicles.	Fuel cell systems and spare components	49,584	8.7	2016	Within 90 days	Wire transfer, bills
Zhong Zhi First Bus Chengdu Co., Ltd. (中植一客成都汽車有限公司) (“**Zhong Zhi**”)[3]	A company registered in the PRC; its principal businesses are the development, design, manufacture, sale of passenger vehicles and passenger car chassis and their relevant technical consultations.	Fuel cell systems	30,531	5.3	2019	Within 90 days	Wire transfer, bills

The following table sets forth key information about our top five customers in 2019:

Customer	Background/Scale of Operations	Major products provided by our Group	Revenue derived from the customer	Percentage of our revenue	Year started	Credit period	Settlement method
			(RMB'000)	(%)			
Shanghai Shenlong	A company registered in the PRC; the principal businesses of Shanghai Shenlong are the R&D, manufacturing and sales of complete passenger vehicles, with products covering various market segments such as highway passenger transport, tourism, public transportation, groups, etc.	Fuel cell systems, spare components and technology development services	193,246	34.9	2016	Prepayment or within 30 days	Wire transfer
Beiqi Foton(1)	As disclosed in the table above	Fuel cell systems, spare components and technology development services	134,310	24.3	2016	Within 90 days	Wire transfer, bills
Yutong Bus(1)	An A-share listed company; its principal businesses are the R&D, manufacturing and sales of passenger vehicles.	Fuel cell systems	100,549	18.2	2013	Within 30 days	Bills
Geely Commercial Vehicle	As disclosed in the table above	Fuel cell systems and spare components	63,436	11.5	2018	Within 75 days	Wire transfer, bills
Zhong Zhi(3)	As disclosed in the table above	Fuel cell systems and technology development services	16,445	3.0	2019	Within 90 days	Wire transfer, bills

(1) Transaction with such customer is presented on common controlling shareholder group basis.

(2) Such customer is also our supplier during the Track Record Period. See "— Our Customers — Overlapping of Major Customers and Suppliers".

(3) Throughout our business dealings, Zhong Zhi represented two companies which were controlled by the same ultimate controlling party. During the Track Record Period, one of these two companies was disposed of and as of December 31, 2021, Zhong Zhi represented only one company.

Overlapping of Major Customers and Suppliers

The following table sets forth our suppliers who are also our customers during the Track Record Period.

Supplier	Year	Purchase amount	Revenue derived from such customer/ supplier	Gross profit margin of sales	Reasons for overlapping
		(RMB'000)	(RMB'000)	(%)	
Toyota	2019	24,285	7,808	60.3	During the Track Record Period, we mainly purchased fuel cell stacks and accessories from Toyota, for the fuel cell systems we produced for the transit buses which are designated as the official transport vehicles at the Beijing 2022 Olympic Winter Games, and Toyota purchased technology development services and fuel cell components from us for its internal research and development. Toyota is principally engaged in vehicle technology development services and sales of various mechanical components through its different subsidiaries. The overlapping purchases and sales are due to our business dealings with different subsidiaries within Toyota.
	2020	97,880	29,990	61.3	
	2021	185,694	22,056	38.7[1]	
	Six months ended June 30, 2022	1,533	4,116	8.6	
Shanghai Tangfeng	2019	—	—	—	During the Track Record Period, we mainly purchased MEA from Shanghai Tangfeng, and Shanghai Tangfeng purchased a unit of MEA testing equipment independently developed and produced from us for MEA quantity and quality testing in 2020.
	2020	23,770	195	31.0	
	2021	56,012	5	10.7	
	Six months ended June 30, 2022	44,387	—	—	
Jiangsu Guofu	2019	—	—	—	During the Track Record Period, we mainly purchased hydrogen storage systems from Jiangsu Guofu, and Jiangsu Guofu purchased testing services from us.
	2020	—	—	—	
	2021	195	113	40.5	
	Six months ended June 30, 2022	10,779	—	—	
Wuhan WUT	2019	36,628	—	—	During the Track Record Period, we mainly purchased MEA from Wuhan WUT, and Wuhan WUT purchased production materials for fuel cell stacks from us in 2021 to assemble test fuel cell stacks and test their MEA performance.
	2020	16,439	—	—	
	2021	16,324	270	77.2	
	Six months ended June 30, 2022	4,931	—	—	

Supplier	Year	Purchase amount	Revenue derived from such customer/ supplier	Gross profit margin of sales	Reasons for overlapping
		(RMB'000)	*(RMB'000)*	*(%)*	
Beijing Ketaike	2019	1,479	27	26.4	During the Track Record Period, we mainly purchased our hydrogen storage systems from Beijing Ketaike, and Beijing Ketaike mainly purchased ancillary components of the hydrogen storage system, such as interfaces, filling ports and filters, from us to assemble with its hydrogen storage tanks to produce the hydrogen storage system for us or resell to its customer.
	2020	17,399	932	20.6	
	2021	9,445	109	At cost	
	Six months ended June 30, 2022	—	22	3.8	
Beijing Peric	2019	6,979	—	—	During the Track Record Period, we mainly purchased the hydrogen storage system from Beijing Peric, and Beijing Peric mainly purchased the hydrogen storage tanks and ancillary components of the hydrogen storage system such as interfaces, filling ports and filters from us for the production of hydrogen storage system for us.
	2020	16,498	5,362	At cost	
	2021	2,073	2,938	At cost	
	Six months ended June 30, 2022	—	—	—	
Toyota Sinohytec	2019	—	—	—	During the Track Record Period, we mainly purchased fuel cell stacks from Toyota Sinohytec, and Toyota Sinohytec mainly purchased technical services from us.
	2020	—	—	—	
	2021	23,730	3,476	17.7	
	Six months ended June 30, 2022	84	5,459	10.9	

(1) The significant decrease in gross profit margin of sales to Toyota from 61.3% in 2020 to 38.7% in 2021 was due to the completion of technology development services provided to Toyota for certain R&D projects with more complexity and higher gross profit margin.

Our Directors confirmed that negotiations of the terms of our sales to and purchases from these customers and suppliers were conducted independently, and these sales and purchases were independent from one another. The terms of transactions with these entities are of normal commercial terms and similar to those transactions with our other customers and suppliers.

To the best knowledge and belief of our Directors after making all reasonable enquiries, these customers and suppliers and their respective ultimate beneficial owners are Independent Third Parties. As confirmed by our Directors, none of our Directors, Supervisors, their respective close associates, or any Shareholders who or which, to the best knowledge of our Directors, owned more than 5% of the issued share capital of our Company as of the Latest Practicable Date, has any interests in any of these overlapping customers or suppliers during the Track Record Period.

SEASONALITY

During the Track Record Period, we received orders for our fuel cell systems throughout the year, but in general, we delivered more products in the second half of the year as affected by industry practice and subject to our customers' actual needs and required delivery dates. According to the CIC Report, the production and sales of fuel cell vehicles in China are seasonal, and our business is also affected by such seasonality.

The PRC government usually reviews or updates the subsidy policy for fuel cell vehicles at the beginning of each year. Therefore, vehicle manufacturers usually select product models after the relevant subsidy policy is updated by the government to ensure the fuel cell vehicles to be produced can meet the requirements for receiving subsidies. Our order confirmation and production arrangements are in accordance with this practice.

In addition, since the fuel cell vehicle industry is still in an early stage of commercialization, its supply chain is not as developed as the internal combustion engine or battery electric vehicle industry. During the Track Record Period, the average time from the order confirmation to our product delivery ranged from one to eight months for fuel cells systems, and such time ranged from around 15 days to eight months for fuel cell stacks, depending on the customers' needs and required delivery dates. After we commenced the production in the second half of a year, the final product completion and delivery time will usually be in the fourth quarter. Therefore, most of the revenue will be recognized in the second half of a year (especially the fourth quarter). In 2019 and 2020, our fourth quarter revenue accounted for a majority of our total revenue in the year. The significant decrease in our revenue in the fourth quarter of 2021 was primarily because some of the customer orders relating to the Beijing 2022 Olympic Winter Games, which took place in early 2022, of RMB193.3 million (a total of 118 units) were delivered in the third quarter of 2021.

The following table sets forth our revenue and gross profit by quarter during the Track Record Period:

		First Quarter	Percentage	Second Quarter	Percentage	Third Quarter	Percentage	Fourth Quarter	Percentage	Full year
		(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*
2019	Revenue	9,525	1.7	57,498	10.4	56,362	10.2	430,235	77.7	553,620
	Gross Profit	1,511	0.6	15,303	6.2	24,037	9.8	205,695	83.4	246,546
2020	Revenue	17,500	3.1	7,704	1.3	103,915	18.2	443,174	77.4	572,293
	Gross profit	7,019	2.8	2,333	1.0	36,118	14.6	201,872	81.6	247,342
2021	Revenue	10,155	1.6	106,721	16.9	256,611	40.8	255,882	40.7	629,369
	Gross profit	2,355	1.0	34,196	14.5	76,507	32.4	122,972	52.1	236,030
2022	Revenue	97,059	N/A	172,084	N/A	N/A	N/A	N/A	N/A	N/A
	Gross profit	39,802	N/A	64,681	N/A	N/A	N/A	N/A	N/A	N/A

Given that China's fuel cell vehicle industry is still developing and will continue to be affected by government subsidies and the annual periodicity of automobile production in the foreseeable future, we expect that the seasonal characteristics of our production, sales and revenue recognition will continue to exist. Since August 2021, the PRC government has approved five fuel cell vehicle demonstration city clusters, led by Beijing, Shanghai, Guangdong, Zhengzhou and Zhangjiakou, with four years of demonstration period. We expect the development of these approved fuel cell vehicle demonstration city clusters in China could help reduce the seasonality of the PRC fuel cell vehicle industry and its impact on us.

MARKETING AND CUSTOMER SERVICE

We focus on the marketing and customer service for fuel cell systems in China, and we also promote and sell certain components of our fuel cell system and technical services related to fuel cell system development or testing. We adopt a direct sales model in which we directly sell our products to customers, mainly sizeable commercial vehicle manufacturers in China.

As of June 30, 2022, our sales and customer service team is organized according to the geographic location of our major customers. We have a total of 117 marketing and after-sales service personnel to strategically cover well-known commercial vehicle manufacturers. We usually formulate marketing strategies for specific cities by focusing our sales on cities with preferential hydrogen policies and abundant hydrogen supply, such as Beijing, Zhangjiakou, Shanghai, Zhengzhou, Chengdu, and Zibo. In addition, we work closely with well-known commercial vehicle manufacturers, such as Beiqi Foton, Yutong Bus, and Geely Commercial Vehicle, to continue to explore and develop the application scenarios of fuel cell vehicles.

We continue to develop potential customers in selected cities in China. When our marketing team discovers potential business opportunities, they will then evaluate such opportunities and communicate with our R&D and production teams. Then we provide consulting services to potential customers at the pre-sale stage. We work closely with our customers and their end-users to understand their needs and provide them with recommendations to help them to choose specific model of products that suit their specifications. Once a recommended system has passed the customer's vehicle design and assembly testing, the customer is expected to apply for the new vehicle approval from MIIT while we are expected to actively assist in this process.

During the application process, we will negotiate with the customer in respect of the commercial terms of the relevant sales. Once the sales orders are confirmed, we will enter into formal agreement with the customer and commence with the production.

In addition, we also provide comprehensive pre-sales and after-sales customer services, ranging from product selection to end-user services. Our customer service team can be divided into three functions.

- ***Product warranty***. We carry out sales and after-sales warranty services; work with our product quality and technical teams to review and implement product changes and follow up with our customers.

- ***Parts and accessories***. We manage sale, warehousing, logistics, repairs, and claims of various parts and accessories; and regularly update the technical data of parts and accessories.

- ***Engineering support***. We monitor our products that are installed on vehicles during operations and follow up and deal with the problems occurred during operations.

In certain cases, we jointly develop products with customers to meet their specific requirements, and we believe it gives us a competitive advantage over our competitors. We provide on-site and off-site technical support from pre-sales to after-sales through our designated service stations. We believe that the coverage of our service can optimize our customers' experience. For newly developed or custom-designed products, we visit our customers regularly to follow up whether our products are suitable for their vehicle development needs. Our customer service strategy also enables us to obtain feedback from customers and potential customers to help us introduce new products or improve existing products to meet our needs.

CONTROL OVER SHANGHAI SINOFUELCELL

Shanghai SinoFuelCell is one of our major subsidiaries with principal business activities of R&D, manufacturing and sales of fuel cell stacks and manufacturing and sales of fuel cell testing equipment. If our control over Shanghai SinoFuelCell is reduced, our business and operating condition may be adversely affected. However, our Directors believe that we had the power to, during the Track Record Period, and continue to have the power to direct relevant activities of Shanghai SinoFuelCell both before and after the capital injections by the independent third-party investors and therefore we continue to have control over Shanghai SinoFuelCell. See "Risk Factors — Risks Relating to Our Business — Our control over certain subsidiary may be reduced, which could adversely affect our business, results of operations and financial condition" and "Financial Information — Critical Accounting Policies, Judgments and Estimates — Significant Accounting Estimates — Control over Shanghai SinoFuelCell".

INFORMATION SYSTEM

We believe that information system is important in improving our efficiency in managing and operating our business. We have successfully implemented an Enterprise Resource Planning (ERP) system since 2012 to support various aspects of our operations, such as, procurement, inventory management, production, accounting, and risk management:

- *Procurement*: Our ERP system helps us manage the entire process of our procurement business and provides the complete procurement process of purchase requisition, such as ordering, delivery, storage, invoicing, and payment settling.

- *Inventory management*: Our ERP system helps us meet our procurement and warehousing needs for parts and raw materials and finished products. It also helps us locate, track and monitor specific parts or materials in the production process.

- *Production:* Our ERP system helps us to effectively visualize the information in different stages of our production process, such as to provide batch planning for the recommended production volume; to provide production order locking and monitoring to ensure effective execution; to provide material shortage simulation analysis to adjust production progress; and to provide material features and cost analysis.

- *Accounting*: Our ERP system helps us manage the entire accounting process including filling internal memo, internal auditing, bookkeeping, and bill settlement.

AWARDS

We have received multiple awards and certifications, and were admitted memberships to certain industry associations during the Track Record Period in recognition of the technological advancement we achieved. The following table sets forth the major awards we received during the Track Record Period.

Year	Award/Certification/Memberships	Issuing Entity
2021	Beijing Science and Technology — First Prize	Beijing Municipal Science and Technology Award Office
2020	Shanghai Science and Technology Little Giant Enterprise	Shanghai Science and Technology Commission
2020	Shanghai Fuel Cell Stack and Material Engineering Technology Research Center	Shanghai Science and Technology Commission
2020	Special Prize of China Transportation Association	China Transportation Association
2020	Shanghai "Specialized & Renovation" SMEs	Shanghai Municipal Commission of Economy and Information Technology
2020	First Prize of Shanghai Science and Technology Invention Award	Shanghai Municipal People's Government
2019	First Prize of China Automobile Industry Science and Technology Progress Award	China Association of Automobile Manufacturers
2019	Admitted as one of the 60 members of the International Hydrogen Council	International Hydrogen Council

COMPETITION

According to the CIC Report, the fuel cell system market has been experiencing high growth in recent years, with over 140 manufacturers in China as of December 31, 2021 and there is a continuing growth trend. However, this market is relatively concentrated with the five largest manufacturers commanding a total market share of 91.6% in terms of the total power output of fuel cell systems sold in 2021, of which our market share was 27.8%, ranking first. Nevertheless, with the introduction of more government supporting policies, such as more cities joining the fuel cell vehicle demonstration city clusters and acceleration of the construction of hydrogen energy infrastructure, we expect more players to enter this market and the competition to become more intense. We believe that the key competitive factors in this market are technological innovation, product quality and safety, stable customer and supplier relationships, and brand reputation.

The fuel cell vehicle industry and its technologies are growing rapidly and subject to unforeseen changes. Technological advances in traditional vehicles or battery electric vehicles, or improvements in the fuel economy of the internal combustion engine, other power generation resources or our competitors' fuel cell systems technologies may negatively affect the development or sale of our products or make us non-competitive or obsolete prior to commercialization or afterwards in ways we do not currently anticipate. According to the CIC Report, the increasing competition among market players results in the reduction in average selling price of fuel cell systems and drives down the gross profit margin of our products.

Given the improvements in R&D technologies and increasing market competition in the fuel cell system industry, we have experienced, and expect to continue to experience, downward pressure on our gross profit margin, which is mainly attributable to (i) competitive pricing strategies to retain existing customers and attract new customers when similar products are offered by our competitors (despite that the sales volume of fuel cell systems and the total kW of the fuel cell systems sold may increase as a result); and (ii) the expected increase in raw material costs resulting from the increase in sales of fuel cell systems that carried fuel cell stacks from third-party suppliers, as the third-party suppliers' fuel cell stacks have relatively higher costs than the fuel cell stacks manufactured by us during the Track Record Period.

To remain competitive, we may have to (i) reduce the selling prices of our products, (ii) reduce our costs and expenses by increasing our sales volume, and/or (iii) introduce new competitive products. We believe our efforts may promote fuel cell vehicles by helping them become affordable as compared to other new energy vehicles and internal combustion engine vehicles and expedite the commercialization of fuel cell vehicles and other related products in the industry. As of the Latest Practicable Date, we intend to adjust the selling price per kW to further promote the use of fuel cell systems and to maintain or increase our market share.

In addition, our strong research and development capabilities gave us greater bargaining power in determining the price of our products and allowed us to charge a higher price premium for our new fuel cell system models. Our newly introduced products generally enjoy a relatively higher gross profit margin because newly introduced models are normally more technologically advanced compared to older models. For example, our 50kW and 80kW models in 2020 recorded gross profit margin of 47.7% and 45.0% in 2020, respectively, which were both higher than our overall gross profit margin of fuel cell systems of 44.8% in the same year.

BUSINESS SUSTAINABILITY

Despite that we have been loss-making since 2020 and we expect to incur net losses and net operating cash outflow in the medium term, we have achieved a steady revenue and customer growth since our inception in 2012. Our revenue grew from RMB553.6 million in 2019 to RMB572.3 million in 2020 and further to RMB629.4 million in 2021 and from RMB117.8 million in the six months ended June 30, 2021 to RMB269.1 million in the six months ended June 30, 2022.

From 2017 to 2019, we sold 192, 303, and 498 units of fuel cell systems, representing a growth in sales volume at a CAGR of 61.1%, which exceeded the industry growth rate of 43.8% during the same period. In 2020 and 2021, we recorded an increase in sales volume of fuel cell systems while the total sales volume of fuel cell systems in China decreased as a result of the delay in rollout of supportive policies due to the outbreak of COVID-19.

The number of our customers grew from 35 in 2019 to 47 in 2020 and further increased to 65 in 2021, and grew from 30 in the six months ended June 30, 2021 to 36 in the six months ended June 30, 2022. We had 10, 17, 21 and 32 recurring customers in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The following table sets forth the number of our existing and new customers with total revenue during the Track Record Period.

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue
		(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*
Existing Customers	10	526,681	17	432,577	21	529,432	32	225,839
New Customers	25	26,939	30	139,716	44	99,937	4	43,304
Total	**35**	**553,620**	**47**	**572,293**	**65**	**629,369**	**36**	**269,143**

On the other hand, we recorded a net loss of RMB9.8 million in 2020, RMB185.4 million in 2021 and RMB81.6 million in the six months ended June 30, 2022, respectively, which were largely due to (i) the increased impairment loss recognized for certain of our long-aged trade receivables; (ii) the decreases in other income, gains and losses primarily due to the increased write down of inventories associated with lower market demand of low output products in 2021; (iii) continuous expansion of our business scale during the Track Record Period to maintain our market leading position, particularly the expansion of production capacity, customer base and geographical coverage, which led to a substantial increase in our employee headcount to support our growth and the resulting increase in selling and distribution expenses and administrative expenses during the Track Record Period; (iv) our continuing investments in the research and development of new products; and (v) the continuous decrease in the average selling price per kW of fuel cell systems as a result of the intensifying market competition.

In particular, the total number of our employees increased from 548 as of December 31, 2019 to 879 as of June 30, 2022. Our research and development expenses increased from RMB83.9 million in 2019 to RMB92.8 million in 2021, and from RMB35.4 million in the six months ended June 30, 2021 to RMB60.3 million in the six months ended June 30, 2022.

Given that we had a decreasing gross profit margin, increasing expenses and recurring net losses incurred during the Track Record Period, despite that there may be increase in our sales volume and revenue in light of the continuing implementation of the favorable PRC government policies and regulatory framework supporting the fuel cell vehicle industry, we anticipate that we will continue to incur losses until we can obtain sufficient purchase orders and expand our sales to the level of economies of scale that enables us to become profitable. See "Risk Factors — Risks Relating to Our Business — We recorded net losses in the past and had negative cash flows from operating activities, all of which may continue if we may not be able to implement our business plans successfully in the future.".

We had cash and cash equivalents of RMB201.5 million, RMB965.9 million, RMB805.0 million and RMB633.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Our total cash balance is sufficient to cover our net cash flows used in operating activities, providing sufficient liquidity for our continuing business operations. We believe we have sufficient working capital required for our operations based on our financial condition and financing capabilities as below:

- In 2016, we were initially listed on the NEEQ and raised an aggregate amount of RMB790 million through equity financing during the period of NEEQ listing.

- In August 2020, we became listed on the SSE STAR Market, and since then we have raised an aggregate amount of RMB1.55 billion through equity financing.

Taking into consideration of financial resources presently available to us, including cash and bank balances, anticipated cash flows from operations, facilities and borrowings from banks and financial institutions and estimated net proceeds from the Global Offering, we believe that we have sufficient working capital to meet our present and anticipated cash requirements for at least the next 12 months from the date of this prospectus. After making reasonable inquiries of our management about our working capital, the Joint Sponsors concur with the same view.

To pave the way for a long-term success in the new industry and fast-growing market, we have been focusing on building and developing our research and development and production capacity, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for future growth as the PRC fuel cell vehicle industry continues to mature. In the medium term, we intend to maintain sustainability and growth of our business and achieve profitability through continuous revenue growth and improvement of our operating leverage.

Continuously Growing Revenue

We are operating in one of the fastest-growing industries in China with strong government support. The PRC governments have been announcing various favorable policies to develop the fuel cell vehicle industry. In particular, in March 2022, the NDRC issued the Medium- and Long-term Development Plan for Hydrogen Industry (2021–2035) (《氫能產業發展中長期規劃(2021–2035年)》), proposing to (i) promote the diversified hydrogen energy applications including fuel cell systems; (ii) improve the core technologies of fuel cell systems; (iii) accelerate the construction of hydrogen energy infrastructure; and (iv) support enterprises with strong innovative capabilities. See "Regulatory Overview — Government Policies Relating to Fuel Cells — National Policy and Industry Guidance".

The favorable government policies will directly benefit the manufacturers of core fuel cell components, key raw materials of fuel cell stacks, fuel cell systems and fuel cell vehicles. Many local governments in China have also proposed specific plan and target supporting the development of hydrogen energy industry and fuel cells systems. For example, in February 2021, Shanghai issued the Implementation Plan for Accelerating the Development of New Energy Vehicle Industry in Shanghai for 2021–2025* (《上海市加快新能源汽車產業發展實施計劃(2021–2025年)》), proposing to achieve goals including construction and operation of over 70 hydrogen refueling stations and promotion of nearly 10,000 fuel cell vehicles in Shanghai by 2025. In July 2021, Hebei Province issued the Development Plan of Hydrogen Energy Industry in Hebei Province for the "14th Five Year Plan" Period* (《河北省氫能產業發展「十四五」規劃》), proposing that a total of 100 hydrogen refueling stations will be built and the number of fuel cell vehicles in Heibei province will reach 10,000 by 2025. In October 2021, Changping District, Beijing released the Action Plan for the Innovative Development of Hydrogen Energy Industry in Changping District (2021–2025)* 《(昌平區氫能產業創新發展行動計劃(2021–2025)》), specifying the targets for the construction of up to 15 hydrogen refueling stations, the promotion of 1,200 fuel cell vehicles and the revenue of the hydrogen energy industry exceeding RMB30 billion by 2025. See "Regulatory Overview — Government Policies Relating to Fuel Cells — The Local Policy".

In addition, according to the CIC Report, the total number of fuel cell vehicles in China increased from 1,900 by the end of 2017 to 8,900 by the end of 2021 and this number is estimated to exceed 100,000 by the end of 2025 taking into account both central and local government policies. Besides, the annual sales volume of fuel cell vehicles is expected to surpass 48,200 units by 2026 at a CAGR of 97.7% from 2021 to 2026 and the annual sales volume of the fuel cell systems will reach 52,900 sets in 2026 at a CAGR of 89.5% from 2021 to 2026. See "Industry Overview — Overview of China's Fuel Cell Vehicle Industry — Market drivers of the fuel cell vehicle industry in China" and "Industry Overview — Overview of China's Fuel Cell System Market — Market potentials for China's fuel cell system market". As a leading provider of fuel cell systems in China, we are well-positioned to generate sustainable revenue growth in the future. Our revenue growth will be driven by the following factors:

- ***Upgrading Products and Multiplying Application Scenario.*** As fuel cell vehicles are more adaptable to the environment, have a longer driving range and are faster to refuel, we plan to focus on the market of medium to long-distance, heavy-duty and cold-chain transportation and other potential applications to expand our business scale. We intend to use our new generation of R&D platform to develop approximately 15 models and launch more new products at a competitive price in the next four years, which could increase our product portfolio. According to the CIC Report, by the end of 2021, high power output applications, such as construction and civil engineering application and trailer transportation application, accounted for approximately 15% in the MIIT New Energy Vehicle Catalog. In addition, the penetration rate of high power output product will have high potential to grow brought by the advancement of technology. In the future, we intend to develop new fuel cell systems for high power output heavy-duty trucks, intercity buses and special purpose vehicles, as well as passenger vehicles. We believe that our strong R&D capabilities will allow us to enjoy the first-mover advantage in developing these products, enabling us to capture the new product premium and ultimately increase our sales and improve our profitability.

- ***Customer Retention and Expansion.*** According to the CIC Report, from 2021 to 2026, the number of hydrogen refueling stations in China is expected to increase from 218 to 1,200, with a CAGR of 40.7%. We believe there will be more end-users and market participants involved in the fuel cell vehicle market resulting from the significant improvement of hydrogen energy infrastructure in China and an increase in the underlying demand from the end customer for our products. To expand and diversify our customer base, we plan to negotiate potential cooperation with more than ten major vehicle manufacturers for the development of fuel cell vehicle prototypes and the promotion of our new products. The major types of application scenario of these potential products are intercity freight transportation, construction and civil engineering and trailer transportation. In addition to vehicle manufacturers, driven by economic incentives for energy conservation, emission reduction and government supportive policies, end customers like city bus companies and government departments, private enterprises will also play a greater role in the operation of fuel cell vehicles in the near future. We intend to actively cooperate with these market participants to enhance our market position. In particular, we plan to promote our products with over 20 city bus companies and to expand our business in over 20 cities with a high target number of hydrogen refueling stations built or to be built. According to the CIC report, by the end of 2021, there were 218 hydrogen refueling stations across 81 cities in China and 239 buses operating companies in these cities.

- ***Geographical Expansion.*** Since August 2021, the PRC government has approved five fuel cell vehicle demonstration city clusters, led by Beijing, Shanghai, Guangdong, Zhengzhou and Zhangjiakou, to commercialize core technologies for fuel cell vehicles. Additionally, Shandong, Sichuan, Hebei and many other provinces have also released their plan to promote the demonstration applications of fuel cells. In line with the favorable government policies, we are expanding our geographic presence by strengthening our sales and marketing capabilities and enhancing strategic payout with leading cities in targeted geographies, especially in those fuel cell vehicle demonstration city clusters. We plan to further extend our business relationships with major PRC commercial vehicle manufacturers operating in key cities such as Beijing, Zhangjiakou, Shanghai, Zhengzhou, Chengdu and Zibo. We will also further expand our business into cities with hydrogen refueling stations established or to be established, which is driven by the layout of the infrastructure construction for fuel cell vehicles. We believe these cities have higher potential to become the second batch of demonstration city clusters benefiting from the incentive policies of the national or local government. We aim to market our fuel cell systems in more than 20 cities and regions in China, including approximately ten additional markets, such as those in Inner Mongolia, Jiangsu and Guangzhou in the next three to five years.

- ***Enhancing marketing effort.*** We plan to expand our marketing team with experienced business and sales personnel who have expertise in the logistics and commercial transportation industry and are capable of networking with more end customers. We intend to offer attractive performance-based compensation schemes to incentivize marketing team to enhance their efforts and achieve our marketing goal. In addition, we plan to actively promote the application of our products by (i) assisting commercial vehicle manufacturers in their testing of fuel cell vehicle prototypes and production and launch of more than 100 new vehicle models; (ii) participating in more than 40 industry events for our products; and (iii) placing online and conventional advertisement in the next three years. See "Future Plans and Use of Proceeds".

We intend to use the net proceeds from the Global Offering to grow our revenue. We expect to use net proceeds from the Global Offering to, among others, (i) fund our research and development in the next three years, so as to upgrade products and multiply their application scenarios; and (ii) improve our brand recognition through product promotion and multi-channel marketing in the next three years, so as to strengthen our customer retention and expansion, geographical expansion and enhance our marketing effort. See "Future Plans and Use of Proceeds".

Improving Operating Leverage

Cost of sales

In 2019 and 2020, our gross profit remained relatively stable and amounted to RMB246.5 million and RMB247.3 million, and decreased to RMB236.0 million in 2021. In 2019, 2020 and 2021, our gross profit margin amounted to 44.5%, 43.2% and 37.5%, respectively. We recorded gross profit of RMB36.4 million and RMB104.5 million for the six months ended June 30, 2021 and 2022, respectively, corresponding to gross profit margin of 30.9% and 38.8%, respectively. We intend to implement measures to reduce our cost of sales by upscaling our production and sales in the future as the industry further develops and achieving cost-saving in our production. As such, we will improve the vertical integration of supply chains and resources, source the raw materials locally, obtain mass production discount from suppliers, and upscale our annual production capacity. Our ability to manage and control our costs and operating expenses is critical to the success of our business and our profitability. During the Track Record Period, the largest component of our total cost of sales were cost of raw materials, particularly, the cost of fuel cell stacks and its relevant materials. In order to reduce raw material costs, ensure component supply and improve product quality, we made and planned to further make investments in certain associates and joint venture and made collaboration arrangements with third parties to enhance our research and development capability and strengthen our supply chain. Such investment and collaboration have yielded synergies. For example, the average purchase price per kW of the fuel cell stacks with metallic bipolar plates produced by Toyota Sinohytec in 2021 decreased by approximately 40% as compared to that of fuel cell stacks we purchased from third-party suppliers in 2020. We plan to utilize our internal resources to invest and potentially acquire and make alliance with companies that are aligned with and could create incremental value for our core business and enhance the reliable and integrated industry chain layout in the next three years.

Furthermore, it is expected that there will be an increase in the sales volume of fuel cell systems. Going forward, other than the research and development of our own fuel cell stacks, we also expect to increase the purchase of fuel cell stacks from Toyota Sinohytec to further obtain discounts, reduce costs of raw materials and improve our profitability. Toyota Sinohytec offers (i) a 10% mark down of the purchase price per unit of the fuel cell stacks using metallic bipolar plates; and (ii) an additional 5% discount if purchase 200 to 500 units and another 5% discount if purchase more than 500 units up to the end of 2022 (the "**Bulk Purchase Discount**"). As confirmed by our Directors, we would negotiate with Toyota Sinohytec the purchase price of their fuel cell stacks once a year. We will further negotiate with Toyota Sinohytec for a similar Bulk Purchase Discount in 2023 and at the beginning of each year after. As such, we believe that the purchase price of fuel cell stacks using bipolar plates will further decrease upon the mass purchase from Toyota Sinohytec, and in turn improve the gross profit margin of fuel cell systems that carry fuel cell stacks from third parties, which could partially offset the decline in the overall gross profit margin of our fuel cell systems caused by the decline in our average selling price per kW.

In addition, as at the Latest Practicable Date, we have completed most of the product testing on the MEA produced by Shanghai Maximfuelcell, which we expect to purchase as the key raw materials for our production of fuel cell stacks in the future. With our further efforts to pursue the vertical integration of our supply chains and resources through alliance, investments and acquisitions, we believe we can further reduce raw material costs and maintain stable gross profit margin of our products in the future.

In addition, starting from early on, we have strategically decided to substantially invest in research and development and we plan to further develop our new generation of R&D platform to improve our products and increase our product portfolio. We also plan to use net proceeds from the Global Offering to fund our research and development in the next three years, and to increase the production capacity of fuel cell stacks through acquiring new equipment and software systems by the end of 2025. The upgraded equipment and software systems for production, testing, dispatching, office, and network are expected to boost our overall production efficiency. Moreover, by leveraging the increasing capabilities of our new generation of R&D platform, we aim to achieve economies of scale and shorten the time-to-market of our product deployment and commercialization, and ultimately improve our operating leverage as our business grows. In particular, we expect to benefit from improving efficiency in production and reducing the cost as we continuously enhance our research and development capabilities and efficiency in fuel cell systems and its relevant raw materials. As a result, we expect to benefit from improved operating leverage with more cost-efficient production and lower cost of raw materials. See "Future Plans and Use of Proceeds".

Our new generation R&D platform was intended to support our R&D activities and our overall R&D costs may be further increased as a result of our R&D initiatives, however, by utilizing the new platform along with our R&D efforts, we believe that we will become more competitive in the market by improving our products' performance in freeze-start capability, driving range, energy conversion efficiency and refueling time and multiplying application scenarios as specified in "Business — Business Sustainability — Upgrading Products and Multiplying Application Scenario". In addition, we believe that using the new generation R&D platform would optimize the production process, reduce the consumption of raw materials and decrease the production costs. For example, during the Track Record Period, we were able to innovate core technologies used in development of the system's structure, ancillary components and fuel cell stacks, such as upgrading the system's structure by modularization, centralization and standardization. In this regard, we successfully optimize the structure by reducing the number of components used, such as significantly reducing the number of components used in 80kW models from 175 units in 2019 to 129 units in 2021 and expected to further reduce to 120 units with the support of the new generation R&D platform. As a result of reducing the numbers of components used in 80kW models, the average costs of raw materials for producing one unit of 80kW model decreased substantially. We believe that the new generation R&D platform would help to further decrease production costs in the future.

Other major operating expenses

Selling and distribution expenses

Our selling and distribution expenses were RMB48.5 million, RMB38.8 million, RMB62.3 million and RMB33.4 million and accounted for 8.8%, 6.8%, 9.9% and 12.4% of our revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We believe that our sales and marketing efforts have helped us grow our revenue and customer base. Going forward, once we have completed the Global Offering and raised additional capital, we plan to expand our marketing and after-sales team for the customer and geographic expansion. As such, we expect our selling and distribution expenses will continue to increase in next three years, which is mainly attributable to hiring additional talents and promotion of our fuel cell systems through assisting commercial vehicle manufacturers in their testing of fuel cell vehicle prototypes and production and launch of new vehicle models.

We believe this will allow us to seize market opportunities in the rapidly expanding fuel cell vehicle market in the next four years and to better adapt to evolving market conditions and the competitive landscape in China. We expect our selling and distribution expenses to decrease as a percentage of our revenue since 2024.

Administrative expenses

Our administrative expenses were RMB89.9 million, RMB91.2 million, RMB126.7 million and RMB80.4 million, and accounted for 16.2%, 15.9%, 20.1% and 29.9% of our revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. During the Track Record Period, our total administrative expenses increased as we have experienced a rapid expansion of business scale. We expect our general and administrative expenses to increase in absolute amounts along with the growth of our business but to decrease as a percentage of our revenue, as we benefit from the economies of scale and the improved operational efficiency. Going forward, the expected increase in our administrative expenses are mainly derived by salary expenses, which are expected to increase along with inflation, and depreciation and amortization, particularly, the depreciation of our Zhangjiakou Plant and our Shanghai Plant. We expect the increase in revenue to outpace the inflation rate and the corresponding increase in depreciation expenses and thus, the administrative expenses are expected to decrease as a percentage of revenue in the future.

Research and development expenses

Our research and development expenses were RMB83.9 million, RMB74.7 million, RMB92.8 million and RMB60.3 million, and accounted for 15.2%, 13.0%, 14.7% and 22.4% of our revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We will conduct R&D and the testing activities to improve our products in terms of adverse weather capabilities, durability, reliability, efficiency, safety and economy, thereby further optimizing and upgrading our products, and as a result we expect our research and development expenses to increase in absolute amounts along with the growth of our business. In the next three years, we plan to invest in (i) the development of our new generation of R&D platform for fuel cells systems; (ii) our on-going national level and independent R&D projects on fuel cell systems, stacks and components; and (iii) four R&D projects focusing on fuel cell stacks and their core materials in Japan. We expect our research and development expenses as a percentage of our revenue to decrease as (i) we expect to benefit from the economies of scale and an increase in our revenue in the future; (ii) we substantially established a next generation integrated R&D platform which can meet our research targets for the next four years; and (iii) our increase in research and development expenses will be outpaced by the increase in sales volume and revenue, which leads to a smaller research and development expenses to revenue ratio. We expect to maintain a stable research and development expense to revenue ratio since 2024 as the aforesaid R&D activities are expected to be completed thereafter.

Impairment losses on financial assets

Our impairment losses on financial assets mainly represented the expected credit losses on trade receivables, bills receivables, contract assets and other receivables. Our impairment losses on financial assets were RMB60.4 million, RMB95.8 million and RMB177.0 million, and accounted for 10.9%, 16.7% and 28.1% of our revenue in 2019, 2020 and 2021, respectively. The increase was primarily due to the increase in the impairment loss on trade receivables in connection with two of our major customers who experienced financial difficulties to settle our payments. For the six months ended June 30, 2021 and 2022, we recorded reversal of impairment losses on financial assets of RMB2.3 million and RMB3.3 million, respectively. See "Financial Information — Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables".

We expect to consistently apply the existing policy of provision for expected credit losses and utilize better credit control and more effective measures for collection of outstanding receivables, such as reviewing and assessing our customers' credit quality and enhancing our measures to monitor and control the outstanding receivables. See "Financial Information — Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables — Trade Receivables Turnover Days". Although we expect the amount of impairment losses on financial assets will increase along with our revenue growth, such impairment losses as a percentage of our revenue is expected to decrease in the next three years, as a result our strengthened credit control measures is to increase our collection rate from customers.

Improving Operating Cash Flows

We had negative cash flows from operating activities of RMB179.2 million, RMB203.0 million, RMB92.4 million and RMB20.1 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, as we recorded a significant gap of turnover days of trade receivables and trade payables and incurred significant operating expenses, including research and development expenses, selling and distribution expenses, general and administrative expenses to develop new fuel cell systems and promote our products. In the future, we expect to improve our net operating cash outflows position by taking advantage of (i) our continuous revenue growth fueled by increasing orders, our customer expansion, geographical expansion and enhancing marketing effort; (ii) our improved operating leverage as we expect our revenue growth to exceed the increase in expenses gradually; and (iii) improved and refined management of working capital.

To improve and refine our management of working capital, we will continue to leverage our leading position to negotiate more attractive contractual terms with our customers and suppliers and implement more stringent credit term review and approval procedures. In the future, we plan to develop relationships with more customers of sound credit profile. We also expect to collect our trade receivables in a more efficient manner and narrow the gap of turnover days of trade receivables and trade payables. We have implemented relevant measures, such as implementing sales and collection policy which detailed our cash flow and liquidity management policy and included measures to perform on-going credit evaluation of financial conditions of our customers, assessing the potential customer's credit quality at the early stage of entering into sales contracts, collecting basic information and building customer profiles, and considering the customer's payment history and any unsettled amount with us. See "Financial Information — Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables — Trade Receivables Turnover Days".

In light of the foregoing, our Directors are of the view that we will have positive cash flows from operating activities in the medium term, assuming there are no changes in extrinsic factors that would materially influence the fuel cell industry and fuel cell market in China generally or us specifically such as evolvement of COVID-19 in China.

Our future profitability is uncertain and subject to various factors, including our ability to develop new products and models and effectively implement our business strategies, compete effectively and successfully, and to continuously grow revenues and our customer base in a cost-effective way by improving our operational efficiency. The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The relevant risks are set forth in the Risk Factors. See "Risk Factors — Risks Relating to the PRC Fuel Cell Vehicle Industry and Fuel Cell System Market — The demand for our products depends on the trend and development of the PRC fuel cell vehicle industry and the availability of other types of new energy vehicle. There are uncertainties in future market demand and we cannot assure that we will continue to obtain sufficient purchase orders in the future" and "Risk Factors — Risks Relating to Our Business — We recorded net losses in the past and had negative cash flows from operating activities, all of which may continue if we may not be able to implement our business plans successfully in the future".

EMPLOYEES

As of June 30, 2022, all of our employees were based in China. The following table sets forth the total number of employees by function as of June 30, 2022:

Function	Number of employees	% of total
R&D	270	30.7
Technical	106	12.1
Production	221	25.1
Sales	117	13.3
Administration and Management	165	18.8
Total	**879**	**100.0**

We have entered into contracts with our employees in accordance with the PRC labor laws. As of the Latest Practicable Date, we had not experienced any significant problems with our employees or disruption to our operation due to labor disputes, nor had we experienced any material difficulties recruiting and retaining senior staff.

We recruit our employees based on the relevant requirements of the position, the employee's experience and qualification and the prevailing market conditions. During the Track Record Period, we did not encounter any strikes, protests or other material labor conflicts that may materially impair our business and image, and we did not encounter any major difficulties in recruiting and retaining senior employees.

We believe that our success depends on our employees' ability to provide continuous, high-quality and reliable services. We value employee trainings and expect to provide our employees with industrial knowledge and technical skills through our training programs. For example, our new employees must attend introductory training courses, and may attend internal training and seminars from time to time to improve their professional knowledge, skills, and safety awareness.

We provide employees with basic salary, monthly performance bonus and year-end bonus. We also contribute to mandatory social security funds (including endowment insurance, work-related injury insurance, maternity insurance, medical insurance and unemployment insurance) for employees as required by the PRC laws and regulations.

INSURANCE

We maintain insurance primarily related to assets and employees for our business operations. Consistent with what we believe to be customary in China, we do not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such types of insurance are not mandatory under the PRC laws and regulations. We believe that our insurance coverage is generally consistent with industry practice and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities beyond our insurance coverage. See "Risk Factors — Risks Relating to Our Business — we have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs". As of the Latest Practicable Date, we did not have any material outstanding insurance claims in relation to our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Promoting a sustainable and low carbon future is one of our missions. We strive to upgrade our products through innovations and collaborate with business partners with climate resilience. While we have been delivering on our mission by developing hydrogen fuel cell technologies, we are constantly seeking opportunities to improve our ESG measures by evaluating our business operations and financials, identifying ESG related risks in our business and taking mitigating measures. We assessed our business in recognition of our ESG responsibilities and adopted comprehensive ESG policies in accordance with the requirements of the Hong Kong Stock Exchange to uphold our corporate sustainability responsibilities for our shareholders and as a corporate citizen.

Identification, Assessment and Management

We promulgated and implemented our ESG policies under the oversight of our Board. Our Board has focused on the topics of environmental impact management, social responsibilities and corporate governance that are important to our operations, taking mitigating measures in addressing the risks associated. Our Board also closely follows the latest legal developments on ESG matters and correspondingly updates our ESG measures to ensure that we comply with the latest regulatory requirements. For example, we are aware of the Hong Kong Stock Exchange's ESG disclosure requirements, and our Board and our general manager will oversee the compilation of our ESG report and the Board shall review the content and quality of the ESG reports after we are listed on the Hong Kong Stock Exchange.

The Strategy Committee and the Audit Committee of the Board oversees the material ESG matters in accordance with our business, strategy and financial performance, including climate-related issues. We also established a Safety, Occupational Health and Environment Management ("**EHS**") Committee, responsible for our safety, occupational health and environmental protection and the Board has also designated the management to oversee the implementation of ESG policies by the EHS Committee. Our Strategy Committee comprises three Directors, including Mr. Zhang Guoqiang, our chairman of the Board, executive director and general manager, being the chairperson of the committee, Ms. Song Haiying and Ms. Dai Dongzhe. Upon Listing, the Audit Committee will also comprise three Directors, including Mr. Fang Jianyi being the chairperson, Mr. Ji Xuehong and Mr. Chan So Kuen. The EHS Committee is also led by Mr. Zhang Guoqiang. Members of the EHS Committee are deputy general managers who oversee each business line and heads of our subsidiaries. We will engage an Independent Third Party in identifying our ESG risks, assessing our ESG related strategies and formulating mitigating measures after we are listed on the Hong Kong Stock Exchange. See "Directors, Supervisors and Senior Management — Board Committees" and "Directors, Supervisors and Senior Management — Directors — Executive Directors".

We have identified several KPIs during the business operation to assess and manage our short, medium and long term ESG-related risks, including:

(i) Resource consumption, including greenhouse gas emissions, energy consumption, water consumption and electricity consumption

(ii) Waste management

(iii) Employee health and safety

(iv) Diversity and inclusion

(v) Corporate governance

(vi) Supply chain related risks

(vii) Financial reporting risks

(viii) Human resource risks

(ix) Climate-related risks

Our Directors believe that under our current business operations, our long term risks include resource consumption and climate-related risks, our medium term risks include waste management, diversity and inclusion and supply chain related risks and our short term risks are mainly employee health and safety, corporate governance and human resources related risks.

Where appropriate, our management and EHS Committee are responsible to set targets for those KPIs that are material to the Group in accordance with the requirements of Appendix 27 to the Listing Rules. On a regular basis, the relevant targets on material KPIs will be reviewed and monitored to ensure the appropriateness to the needs of our operation.

As such, we established and implemented the following principal ESG policies and implemented mitigating measures accordingly.

Environmental Protection

- Rules to Environment Management and Policy Management ("環境管理與政策管理規定") and Work Criterion and Environment Management Policies ("工作規範，環境管理制度") adopted in October 2020 and December 2021 respectively which outlined (i) Identification and evaluation of environmental factors and regulations; (ii) Environmental operation and construction project management; (iii) Environmental monitoring; and (iv) Pollution and damage accident reporting.

Social Responsibility

- Safety risk management
- Safe production emergency plans
- EHS inspection and management
- Supplier EHS management
- Diversity and inclusion policies
- Supply chain management policies

Corporate Governance

- the Articles and policies of the Strategy Committee, the EHS Committee and the Audit Committee

In addition, our Board expects to conduct risk assessment at least once a year to cover the current and potential risks faced, including, but not limited to the risks arising from the ESG aspects strategic risks around disruptive forces such as climate change. The Board will assess the risks and review our existing strategy, target and internal controls and necessary improvement will be implemented to mitigate the risks identified, including climate-related risks, and formulating policies in addressing the risks. In particular, we will continue the following approaches to identify, assess and manage material ESG issues:

Identification: we will discuss with key stakeholders, including our major customers, major suppliers and employees, the ESG issues and collect their views and opinions on our ESG measures and practices, which help us better identify and prioritize the ESG issues and risks inherent in our business operations and formulate effective ESG measures to mitigate those risks. We believe that this open dialog with stakeholders plays a crucial role in maintaining our business sustainability.

Assessment: We and our stakeholders will continue to assess the performance of our ESG measures through internal discussions. We will also continue to engage Independent Third Party in inspection and assessment institutions to identify and assess our level of compliance in respect of environmental protection covering emission of wastewater, noise control and air pollution control and climate changes.

Management: We have implemented our principal ESG policies that provide guidelines in managing our ESG issues. According to the policies, our Board and the committees will review ESG issues arising from our business operations including climate-related issues when reviewing our ESG measures, major plans of actions, risk management policies, implementation of these ESG measures and our business plans as well as setting our performance objectives.

Environmental Protection

Environmental Impact Management and Climate-related matters

We strive to reduce the environmental impact from our products and production processes, and have adopted a number of measures to achieve this objective.

Our products play an important role in decarbonizing transportation as it is the core of hydrogen fuel cell vehicles. A fuel cell combines hydrogen and oxygen to produce electricity, with water and heat as the only by-products. This technology was created to provide reliable and sustainable energy solutions. We bring positive impact on the global climate by contributing to the development of hydrogen applications and empowering energy transition. In addition, hydrogen can be produced by renewable resources such as wind and solar energy and by using PEM in our fuel cell products and adopting technology improvements, our high-power density products achieved 58% of energy conversion efficiency, exceeding the industry target layout in the Energy-saving and New Energy Vehicle Technology Roadmap 2.0. We will continue to adhere to the concept of empowering green energy in our product development, manufacturing and technology innovations in the future. See "— Our Competitive Strengths — Strong research and development capabilities".

Resource consumption

We pursue to utilize energy efficiently and as the major method to monitor our GHG emission. We strictly monitor our consumption to ensure the efficient use of natural resources such as energy and water consumption. The following is the metric of our environmental and climate related indicators in our production process during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Resource consumption				
Energy consumption (kW/hr)	3,457,543.8	4,270,466.4	8,631,163.5	5,424,062.7
Water consumption (m^3)	6,299.9	15,776.9	34,784.2	17,464.3
Pollutant managements				
Greenhouse gas emissions (tonne)[(1)]	—	—	—	—
Hazardous wastes (tonne)	3.0	0.12	3.1	8.5
Industrial solid wastes (tonne)[(2)]	—	4.4	11.1	19.4

(1) We produced minimal greenhouse gas emission in our production process.

(2) These data refer to the amount of wastes which we disposed of during the relevant year/period instead of the amount of wastes which we produced.

During the Track Record Period, resources that we consumed primarily consist of electricity and water and the relevant consumption is in correlation with our production and R&D activities. We have closely monitored our consumption of resources. We assess the power and thermal efficiency and water consumption during the production process on a monthly basis and review the information against historical data and design intent to identify deviations and assess potential risks. When we install new machines or software, we have a team of technicians and engineers to perform inspection tests and monitor the results. We closely follow the energy and water control measures implemented by the local governments including any potential restrictions. As of the Latest Practicable Date, we have not experienced any significant interruptions due to resource shortage.

To continuously improve the energy performance and lower carbon footprint, we always look for possible energy-saving opportunities, especially on choosing environmental friendly equipment and facilities of the Group. Apart from the energy saving in business operation, we broaden this idea to shift the offices into a green working environment and instill a green mind-set to our employees. We intend to encourage our staff members to use electronic records to gradually replace paper-based records. We also plan to transit to green plants by installing energy-saving lighting systems and appliances in our office building and production facilities. In the procurement of office equipment, we always opt for the model with higher energy efficiency and purchase from suppliers that have a relatively low carbon footprint. Employees are also regularly reminded to adopt energy efficient measures in the workspace. To enhance the environment protection and save energy consumption, we have established the following energy saving measures:

- Lighting should be switched off while employees are off duty; and
- Employees are encouraged to switch off all non-essential items during non-office hours, such as computers and photocopiers.

The following table sets forth the types of emissions and respective emissions data during the Track Record Period:

		Year ended December 31,			Six months ended June 30,
Air pollutants	**Unit**	**2019**	**2020**	**2021**	**2022**
Nitrogen oxides (NO_x)	kg	30.6	23.4	28.7	12.4
Sulfur oxides (SO_x)	kg	0.7	0.5	0.6	0.9
Particulate Matter (PM)	kg	2.2	1.7	2.1	0.3
Total air pollutant emissions	kg	33.5	25.6	31.4	13.6

Source: receipts from gas company and IC card transaction statement from gas refiling station.

The following table sets forth the total Greenhouse Gas ("**GHG**") emission during the Track Record Period.

GHG emission	Unit	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2022
Scope 1 — Direct GHG emission	tCO_2e	129.3	99.7	135.1	54.0
Scope 2 — Indirect energy GHG emissions	tCO_2e	1,816.4	2,379.5	4,945.7	3,309.2
Total GHG emission	tCO_2e	1,945.7	2,479.2	5,080.8	3,363.2
Greenhouse gas intensity	tCO_2e/number of employee	3.6	4.3	6.3	3.8

Source: receipts from gas company, IC card transaction statement from gas refiling station, property electricity charge notice, property company invoice and electricity bill from electricity company.

The following table sets forth the total energy consumption during the Track Record Period:

Energy type	Unit	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2022
Non-renewable fuel (Direct)	kWh				
— Gasoline	kWh	435,671.3	334,178.2	394,172.8	172,497.7
— Diesel	kWh	—	—	15,959.0	2,615.3
— LPG (Liquefied petroleum gas)	kWh	44,724.3	36,168.9	63,991.2	27,822.2
— Natural Gas	kWh	—	—	50,709.1	—
Purchase of energy (Indirect)	kWh				
— Electricity	kWh	2,977,148.2	3,900,119.4	8,106,331.4	5,424,062.7
Total energy consumption	kWh	3,457,543.8	4,270,466.5	8,631,163.5	5,626,997.9
Energy consumption intensity	kWh/number of employee	6,309.4	7,478.9	10,629.5	6,401.6

Source: receipts from gas company, IC card transaction statement from gas refiling station, property electricity charge notice, property company invoice and electricity bill from electricity company.

With the development of our business and the expansion of production scale, our energy consumption is increasing year by year. The reason for the larger increase in energy consumption in 2021 is mainly due to the increase in R&D, production and testing equipment and the addition of bipolar plate production workshop in 2021 from Shanghai SinoFuelCell, one of our subsidiaries.

The following table sets forth the total water consumption during the Track Record Period:

Use of water	Unit	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2022
Total water consumption	m^3	6,299.9	15,776.9	34,784.2	17,464.3
Water Consumption Intensity	m^3/number of employee	11.5	27.6	42.8	19.9

Source: water consumption statement, energy consumption confirmation form, water bill recharge statement, water charge invoice and water charge notice.

Waste Management

During the Track Record Period, the pollutants that we discharged primarily consist of exhaust fumes, solid waste and water. Our onsite staff kept a record of discharged pollutants and our engineers reviewed the record periodically to ensure no deviation from intent targets. We produced small amounts of hazardous waste and industrial solid waste, and minimal carbon emission in our production. We have set up an air emission process system and wastewater treatment facilities in our plants and implement relevant internal protocols to ensure proper operations. While wastewater is processed by our own wastewater treatment stations to reach national safety standards for disposal, other wastes are collected and disposed of by qualified industrial waste processing and environmental protection entities. We contracted with third-party specialists to process hazardous waste periodically. The following table sets forth the total packaging material used during the Track Record Period.

Packaging materials for finished products	Unit	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2022
Total packaging materials used	kg	49,246.0	31,848.2	89,137.9	39,031.1
Packing material density used	kg/unit	40.6	36.0	59.6	36.6

Source: inventory list of packing materials and output details of prospectus.

Our packaging materials decreased in 2020 as compared to 2019 mainly due to decrease in production volume of fuel cell systems. In 2021, with the increase in production volume of fuel cell systems, the amount of related packaging materials increased.

The following table sets forth the total hazardous and non-hazardous waste produced during the Track Record Period:

Hazardous waste	Unit	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2022
Total hazardous waste	kg	3,000.0	120.0	3,080.0	8,520.0
Hazardous waste density	kg/number of employee	5.5	0.2	3.8	9.7

Source: hazardous waste transfer slip.

The total amount and density indicators of our hazardous waste fluctuated every year, mainly because we adopted a regular centralized treatment method for hazardous waste.

Non-hazardous waste	Unit	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2022
Total non-hazardous waste	kg	—	4,440.0	11,074.0	19,380.0
Non-hazardous waste density	kg/number of employee	—	7.9	13.7	22.0

Source: general solid waste receipt confirmation.

We are also subject to national and local environmental protection regulations in China. In particular, the operations at production facilities are subject to certain environmental requirements, including those in relation to air, water, and solid waste pollutions. To comply with the applicable environmental protection laws, we have obtained necessary pollutant discharge permits and complied with applicable PRC laws and regulations in treating and disposing of the pollutants. As confirmed by our PRC Legal Advisor, during the Track Record Period, we have not been subject to any administrative penalties related to environmental laws and regulations.

We have also engaged qualified agencies to prepare the relevant environmental impact assessment documents, obtained the required approvals from relevant environmental protection authorities and passed relevant inspections. In particular, we are required to pass environmental impact assessments and obtain approvals from relevant environmental authorities to start any construction project.

We regularly monitor the source of pollutants announced by the local governments and are aware of events that have environmental impact locally. We also regularly disclose our compliance with environmental regulations to the general public, such as in our annual reports, and welcome any advice on improving our consumption and control measures. We believe the nature of our operations does not create material risks that give rise to environmental protection issues and the above-mentioned measures taken by us are sufficient to maintain our compliance with applicable environmental protection laws and regulations.

In 2019, 2020, 2021 and the six months ended June 30, 2022, our cost of compliance with the applicable environmental rules and regulations was approximately RMB2.1 million, RMB0.3 million, RMB0.5 million and RMB0.4 million, respectively. During the Track Record Period, as confirmed by our PRC Legal Advisor, we have complied with applicable national and local environmental protection laws and regulations in all material aspects, and we have not received any warning or sanctions or fines imposed by the PRC environmental authorities for incidents of material non-compliance with respect to our production facilities. We expect that the annual cost of compliance with such rules and regulations will be consistent with our production expansion and business operations. Complying with environmental and safety laws and regulations could impose substantial costs upon us and cause delays in building our manufacturing facilities. See "Risk Factors — Risks Relating to Our Business — Non-compliance with various environmental and safety related laws and regulations in China may increase our operating costs and cause delays in the construction of our manufacturing facilities, resulting in monetary damages, fines and other liabilities as well as negative publicity and damage to our brand name and reputation".

Supplier Qualification Requirements

All of our raw materials are non-heavy polluting materials, especially fuel cell stacks, metal bipolar plates and platinum. In order to further strengthen the environmental management of raw materials, the company has taken the following measures in raw material procurement:

- We procure raw materials in compliance with the relevant environmental protection requirements and implement a qualified supplier assessment and entry mechanism and regularly evaluate our suppliers in terms of compliance with the relevant safety and environmental control requirements. For example, we intend to consider applicants' carbon footprint in selecting our suppliers and prefer those who have complied with ISO 14067 and PAS 2050 standards.

- We require our suppliers to obtain quality certifications from third-party institutions and disclose any hazardous materials in the raw materials or components supplied by them to ensure the compliance with applicable laws and standards. We also ask the suppliers to take rectification measures if the raw materials or components provided by such suppliers do not satisfy the relevant requirements in the standards.

Social Responsibility

Employee Health and Safety

Work injuries may occur during the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, eight of our employees filed for occupational injury compensations due to injuries sustained in the course of employment with us. Their conditions were covered by medical insurance and in accordance with the PRC laws, we paid one of the employees a lump-sum disability support of RMB57,480 as the employee left the Company.

We may also suffer from personal or property damage relating to health and occupational safety caused by third parties. In 2018, a third-party perpetrator caused damages to a plant owned by Zhangjiakou Haiper, our former subsidiary. On November 28, 2018, Hebei Shenghua Chemical Company Limited, a subsidiary of China National Chemical Corporation and, to the best knowledge and belief of our Directors, an Independent Third Party to our Group, had vinyl chloride gas leaked from a tank in their factory near a plant owned by Zhangjiakou Haiper due to lack of regular inspection and maintenance, which caused an explosion after ignited and damaged our facilities. Nevertheless, we strive to mitigate risks as far as technically and financially feasible, and to minimize the potential negative impacts. We require employees at all levels to monitor and report any hazards or potential threats and have established a comprehensive set of policies and procedures to ensure our workplace safety performance conforms to the highest industry standards, including but not limited to (i) hazardous operations management policies; (ii) chemicals management and hazardous energy control policies; and (iii) fire management.

We are subject to the PRC laws and regulations in respect of occupational health and safety. We are committed to complying with the PRC's regulatory requirements to prevent and reduce the hazards and risks associated with our operations, and ensuring the health and safety of our employees and the surrounding communities. We have adopted and maintained policies and measures to maintain a safe environment for our employees, including safety incident management policies, occupational hazard monitoring and management policies.

To ensure the compliance with applicable laws and regulations, we expect to seek compliance advice and adjust our human resources policies to accommodate significant changes in the relevant labor and safety laws and regulations from time to time.

We also encourage our employees to be vigilant and responsible for their safety and health whilst performing their work obligations. We also provide training to help employees to identify abnormal conditions and increase the safety awareness. Our operations have not experienced any material incidents and we maintain insurance plans and proper records for incidents of work injuries that happened.

Diversity and Inclusion

We are fully aware of the value of a diverse and skilled work team. We are therefore committed to building and maintaining an inclusive workplace culture so that all employees can thrive. We are also dedicated to providing equal opportunities in all aspects of employment, maintaining workplace that is free from discrimination, physical or verbal harassment against any employee on the basis of external factors including race, religion, color, gender, physical or mental disability, age, place of origin, marital status and sexual orientation. In addition, we strictly prohibit any form of sexual harassment or abuse in the workplace.

The following table sets forth our total full-time workforce by gender, age group and geographical region as of December 31, 2019, 2020 and 2021 and June 30, 2022:

			As of December 31,			As of June 30,
Type	**Breakdown**	**Unit**	**2019**	**2020**	**2021**	**2022**
Gender	Male	Number of workers	428	453	651	704
	Female		120	118	161	175
Age group	Aged 30 or below	Number of workers	250	231	316	331
	Aged 31–40		237	260	387	424
	Aged 41–50		52	67	94	108
	Aged 51 or above		9	13	15	16
Geographical distribution	Country (PRC)	Number of workers	548	571	812	879
Total		Number of workers	548	571	812	879

The following table sets forth our total turnover rate of employees by gender, age group and geographical region during the Track Record Period:

			Year ended December 31,			Six months ended June 30,
Type	**Breakdown**	**Unit**	**2019**	**2020**	**2021**	**2022**
Gender	Male	Percentage	18.9%	21.9%	22.0%	8.0%
	Female	Percentage	10.9%	22.0%	14.3%	3.4%
Age group	Aged 30 or below	Percentage	16.4%	19.1%	27.9%	5.4%
	Aged 31–40	Percentage	17.3%	24.6%	18.1%	8.7%
	Aged 41–50	Percentage	15.4%	20.9%	6.4%	6.5%
	Aged 51 or above	Percentage	44.4%	23.1%	13.3%	0.0%
Geographical distribution	PRC	Percentage	17.2%	21.9%	20.4%	7.1%
Total		Percentage	18.4%	22.3%	24.0%	7.3%

Social Contributions

We are a fuel cell system manufacturer focusing on R&D, design, production and sales of fuel cell systems, contributing to the development of hydrogen applications and empowering energy transition. We continue to lead the hydrogen energy industry by commercializing hydrogen fuel cell systems and leading the formulation of national standards of fuel cells.

In addition, we participated in the implementation plan of the "Village Enterprise Alliance" of the Leading Group for Poverty Alleviation and Development and Poverty Alleviation Work of the Qiaodong District Committee of Zhangjiakou in 2021, and donated goods of approximately RMB53,000 including 49 street lamps to Hejiayan Village in Zhangjiakou.

Corporate Responsibility

Governance

Our Board and its Strategy Committee and Audit Committee oversee our ESG practice. The primary responsibility of our Directors is to collectively identify and assess our ESG related risks and opportunities, review and approve the ESG policies, set up our annual ESG targets, and evaluate our annual performance against the targets and revise the ESG strategies as appropriate if significant variance from the target is identified. The EHS Committee is responsible for evaluating and managing material ESG issues and monitoring the result of the related matters in our day-to-day operations, including climate-related risks and opportunities.

The EHS Committee helps promote a safe and healthy workplace and tackles environmental challenges. The committee incorporates the requirements of the PRC laws and regulations, such as incorporating the Production Safety Law and Environmental Protection Law in making annual action plans for safety, workplace health and environmental protection measures. The committee also incorporates requirements of the Hong Kong Stock Exchange by assessing current ESG policies and improving measures taken. For example, the committee assesses and manages climate-related risks and opportunities and advises us based on relevant results. The committee also makes and updates employee protocols and regularly organizes internal discussions of issues found across the Company based on the ESG policies. For example, the committee has established precautionary measures to classify and manage safety risks identified. Pursuant to the internal protocols, we would also investigate any violations and take mitigation measures accordingly. As confirmed by our PRC Legal Advisor, we complied in all material respects with the applicable environmental laws and regulations during the Track Record Period.

Board and Management Diversity

We value gender diversity and promote gender diversity at all levels, including the Board and senior management. Specifically, two of our executive Directors and one of our non-executive Directors are female and two of our senior management are female. This arrangement demonstrates our commitment to achieving gender diversity in our Board and management. See "Directors, Supervisors and Senior Management".

Greater diversity and inclusion in our Board is not just a values-driven proposition but also a move presently taken and embraced. We intend to adopt a board diversity policy before the Listing which sets out the objective and approach to achieve and maintain diversity of our Board to enhance the effectiveness of our Board. The policy provides that our Company should endeavor to ensure that our Board members have the appropriate skills, expertise and diversity of perspectives that are required to comply with emerging new standards and navigate a spectrum of risks. Selection of candidates for Directors is expected to also be based on a range of diversity perspectives, including but not limited to skills, professional experience, educational background, knowledge, expertise, culture, independence, age, and gender.

The Nomination Committee is responsible for reviewing the diversity of the Board. After Listing, the Nomination Committee is expected to monitor and evaluate the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee is expected to also include a summary of the Board's diversity policies in successive annual reports, including any measurable targets set for the implementation of the Board's diversity policy and the progress made in achieving those targets.

Supply Chain Management

When choosing a supplier among competitors for any goods or service, we will weigh the facts impartially and objectively and choose the supplier who can offer the best-valued product or service in accordance with our needs. Our employees will not influence our purchase decision with irrelevant or improper considerations.

We ensure that we procure products and services through suppliers that share our values. All of our business partners including suppliers are required to comply with our ESG policies including safety requirements when engaging in business activities onsite.

Risk Management and Internal Controls

Our Directors are responsible for formulating and monitoring the implementation of internal control and the effectiveness of our risk management systems.

In preparation for the Listing, we have engaged an independent internal control consultant to review our internal control systems including financial reports, operations, compliance and risk management areas. Based on the internal control consultant's review and recommendations, we have revised and adopted additional measures to improve our internal control system. Based on the internal control report issued by the internal control consultant, our Directors are of the view that our internal control systems are adequate and effective for our current business and that there are no material deficiencies in our internal control systems as of the Latest Practicable Date.

Our internal control and risk management measures are designed to meet our specific business needs and minimize our risk exposure. We have adopted different internal guidelines, policies, and procedures to monitor and mitigate the impact of risks associated with our business, improve our corporate governance, and ensure compliance with the applicable laws and regulations. As our business continues to grow, we intend to continue to amend and improve our internal control systems to adapt to our changing business needs to ensure that our business operations comply with the applicable laws, regulations, and rules. We have taken the following measures to improve the quality of our corporate governance.

- Our Directors have attended training courses organized by our Hong Kong legal adviser on January 13, 2022 and reviewed our internal control policies in relation to the Directors' continuing obligations, duties and responsibilities under the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance and the Listing Rules;

- We have appointed Mr. Lau Kwok Yin as the joint company secretary. Mr. Lau Kwok Yin is expected to serve as the principal channel of communication between the Company and other members of the Group on our laws, regulations, and financial reporting compliance related matters. Upon the receipt of queries or reports on compliance matters of laws, regulations and financial reporting, the company secretary is expected to investigate the matter, seek advice and guidance from professional advisors in a timely manner and report to the Board and/or relevant member companies;

- We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to advise the Group on post-listing compliance matters;

- We have established an Audit Committee (with terms of reference in compliance with Rule 3.21 of the Listing Rules) to review the compliance of our internal control systems and procedures with the requirements of the Listing Rules, the Companies Ordinance and other applicable laws, regulations and rules. We consider it necessary to establish risk management in our strategic and operational planning, day-to-day management and decision-making processes to identify significant risks associated with our business operations; and

- We consult our PRC Legal Advisor on a regular basis to ensure compliance with the PRC laws and are aware of the latest regulatory developments.

- We have established the Material Information Internal Reporting System which stated that for the process of our implementation of equity incentives, stock ownership plans for employees, and issuance of stocks to specific objects, neither supervisors nor senior managers shall entrust any other person to hold or accept the entrustment of others to hold the Company's Shares, otherwise the income obtained shall be forfeited and owned by the Company instead.

Financial reporting risk management

We have established a set of accounting policies for financial reporting risks, such as financial reporting risk management policies, budget management policies, financial statement preparation policies and financial department and staff management policies. To implement the accounting policies, we have established different procedures under which the financial department reviews the management accounts. We also provide regular trainings to the staff of our Finance Department to ensure that they are aware of our accounting policies.

Human resource risk management

We regularly provide specialized training pursuant to the needs of employees in different functions. Through these training, we ensure that the employees' skills remain up-to-date, and enable them to identify and meet the needs of our customers. We have formulated an employee handbook approved by the management and distributed to all our employees, which contains internal rules and guidelines on best business practices, work ethics, fraud prevention mechanisms, misconduct, and corruption. We regularly provide training and resources to employees and explain the requirements in the employee handbook.

We regularly train our employees and arrange special technical training to ensure that our employees are at the forefront of technological progress. We have prepared manuals for internal training, implemented anti-bribery and anti-corruption compliance policies, and organized special training courses to properly educate employees, particularly the management teams, and ensure compliance.

Climate-related risk management

We believe that climate-related matters pose a certain level of threat to us. Climate-related risks identified by us can be classified into (i) physical risks as being the risks that potentially cause physical impact to us due to extreme weather conditions; and (ii) transitional risks being the risks arising from compliance with the applicable environmental laws and regulations and the stringent environmental protection standards. Nevertheless, we may potentially be impacted by an increased operation and maintenance cost, increased investment in insurance for protection. The followings are physical risks and transitional risks we identified:

Transitional risks. The operations at production facilities are subject to certain environmental requirements, including those in relation to air, water, noise and solid waste pollutions, as well as production safety and labor protection requirements pursuant to the laws of the PRC. The key relevant laws and regulations that should be abided by the Group are detailed below:

Environmental-related and social-related risks	Impact
General Environmental Provision	Non-compliance with the Environmental Protection Law of the PRC
Air pollution and emissions	Non-compliance with the Law of the PRC on Prevention and Control of Atmospheric Pollution and Administrative Measures for Pollutant Discharge Licensing
Environmental Impact Assessment	Non-compliance with the Environment Impact Assessment Law of the PRC and the Administrative Regulations on Environmental Protection for Construction Projects
Production and Occupational Safety	Non-compliance with the Production Safety Law of the PRC and the Law of the PRC on the Prevention and Control of Occupational Diseases
Labor	Failure to pay social insurance contributions — Social Insurance Law of the PRC Failure to pay housing provident fund contributions — Regulations Concerning the Administration of Housing Provident Fund

Potential transitional risk may result from the transitioning to a lower-carbon economy which entails change in climate-related regulations and policy. Tightened environmental regulations and the future launch of nationwide emission trading scheme may contribute to the increase in price of the major raw materials and thus increase in operating cost. However, an increasing attention from the PRC government on environment protection and the implementation of environmental protection measures may encourage the manufacturing of environmental friendly products, as such we expect that there will be more opportunities in the future.

Physical risks. Climate change such as extreme weather conditions like flooding and storms for former and sustained higher temperature for the latter which may have potential financial implications on our business. With climate changes, the global temperature may increase, causing the higher consumption of the electricity resulting in, among others, regional electric shortage and interruption to our business. Further, the global temperature increase may also result in more unpredictable weather conditions such as frequent and severe occurrences of typhoons, hurricanes, droughts, flooding and increased rainfall. Such weather conditions are anticipated to cause disruption to transport services and our supply chain may be adversely affected, which may in turn result in delay of delivery of raw materials and our products.

During the Track Record Period and up to and including the Latest Practicable Date, our Directors are not aware of any actual climate-related risks or damages that negatively impacted our businesses, strategies and financial performance.

ESG Targets

Our main ESG target is to minimize environmental impact and contributing to improving environment. We believe that ESG KPIs are essential to allow investors to compare companies' ESG-related performance. We have attached great importance to execute its ESG policy and monitor the performance of its ESG policy.

Although our ESG KPIs show an upward trend, they are within the controllable range, and generally outperformed the industry average. We are still in the development stage and has not yet reached 100% of its production capacity, so the environmental data is in a fluctuating state. In order to better assume the environmental responsibility, we are committed to the goal of achieving an energy consumption growth rate of around 5–10% below the production growth rate by 2025, while maintaining energy consumption rate well below the industry average.

We are actively promoting the following measures to achieve these targets:

- maintain production equipment regularly to improve efficiency and reduce energy consumption;
- encourage employees to turn off equipment and electrical appliances when not in use to save electricity in the workplace;
- set the air conditioners at 25 degree Celsius to reduce unnecessary energy use;
- carry out water conservation and pollution reduction activities, adopt multiple uses of water, recycle and improve the utilization of water; and
- recognize that vehicle use will produce air pollutants, and consider using more environmental friendly vehicles, such as electricity vehicles.

We have formulated the Environmental Management Policy and the Annual Environmental Monitoring Plan, focusing on the identification, monitoring and evaluation of factors that may cause harmful environmental impacts from the aspects of gas emission, water discharge, noise emission, waste disposal, etc.

PROPERTIES

We are headquartered in Beijing, China. As of the Latest Practicable Date, all of our owned or leased properties are located in China.

As of June 30, 2022, none of our property interests had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of June 30, 2022, we owned one parcel of land with a total area of approximately 32,607.5 square meters and two buildings totaling 14,613.0 square meters. We occupy these properties mainly for our production purposes and for our office space. As advised by our PRC Legal Advisor, we have proper title certificates for these properties and we have the right to possess, use or dispose of such properties in accordance with the relevant PRC laws.

In addition, we completed the construction of the second phase of our Zhangjiakou Plant in August 2022, totaling 38,355 square meters, in Zhangjiakou, Hebei Province. As advised by our PRC Legal Advisor, we have obtained all the necessary approvals and permits for the construction of the aforesaid property. As of the Latest Practicable Date, we are applying for the relevant property certificates for the second phase of our Zhangjiakou Plant. As advised by our PRC Legal Advisor, we will obtain the ownership right of the second phase of our Zhangjiakou Plant upon having obtained the relevant property certificates and there is no substantial legal impediments for us to obtain the relevant property certificates.

Leased Properties

As of June 30, 2022, we leased one state-owned land with a floor area of approximately 10,667 square meters for our projects related to refueling stations and 27 properties with a total gross floor area of 43,424.7 square meters, including 13 properties for production facilities, warehouse and office premises and 14 properties for dormitories. Our leases generally have a term ranging from one to five years.

As of June 30, 2022, the lessors of 8 of the aforementioned leased properties with a total gross floor area of 28,490.2 square meters had not obtained or provided us with the relevant building title certificates. Among the 8 leased properties, one is currently obtaining the legal property title certificate, and we plan to move in upon such certificate is obtained by the lessor, and seven properties have obtained compliance certificates or explanations issued by the relevant government authorities.

Our Directors confirm that we will negotiate and renew our lease agreements only if it is according to the relevant laws and regulations and the property is not subject to any dispute, lawsuit or other factors that may affect our use.

As of the Latest Practicable Date, we or the lessors had not filed the lease agreements for 17 of our leased properties with the local housing administration authorities as required under the PRC laws. Our PRC Legal Advisor have advised us that we might be ordered to rectify this non-filing by competent authorities and if we fail to rectify within a prescribed period, an administrative penalty may be imposed on us because of such non-filing, and according to the relevant properties lease administration regulations, we may be imposed a maximum penalty of RMB170,000 for non-compliance of lease registration for 17 of our leased properties. Our PRC Legal Advisor have advised us that the failure to file the lease agreements would not affect the validity of the lease agreements. Also, based on the maximum potential penalty, the effectiveness on the validity of the contract and our rectification measures, our PRC Legal Advisor further advised that such failure to file the lease contracts would not have a material adverse effect on our business operations.

As of the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties, nor have we experienced any termination or interruption of business operations or major property loss because of the failure to file the lease agreements described above.

LICENSES, PERMITS AND CERTIFICATES

As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in China, and such licenses, permits, approvals and certificates remained in full effect. We are required to renew such licenses, permits, approvals and certificates from time to time. As advised by our PRC Legal Advisor, we do not expect any legal obstacles in such renewals so long as we meet the applicable requirements and conditions set by the relevant government agencies and adhere to procedures set forth in the relevant laws and regulations.

LEGAL AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Directors are not aware of any litigation, arbitration or administrative proceedings pending or threatened against the Company or any of our Directors which could have a material adverse effect on our financial condition or results of operations and we did not experience any material insufficient contributions to social security insurance or housing provident fund. Potential future litigation or any other legal or administrative proceeding, regardless of the merit or outcome, is likely to result in substantial costs, diversion of our resources, and have a negative impact on our reputation and brand image, which in turn, would have a negative impact on our business, financial condition, and results of operations. For potential impact of legal or administrative proceedings on us, see "Risk Factors — Risks related to Our Business — We may be subject to claims, especially of product liability, disputes, lawsuits and other legal and administrative proceedings, which may result in significant direct or indirect costs and adversely affect our results of operations, financial condition and development prospects".

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or systemic non-compliance of the laws or regulations which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business operations or financial condition, or reflect negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner in all material aspects.

OVERVIEW

Upon Listing, our Board will consist of nine members, including three executive Directors, two non-executive Directors and four independent non-executive Directors. All Directors are elected at the Shareholders' meetings and shall be subject to re-election upon retirement.

Our Supervisory Committee consists of three Supervisors, including two shareholder Supervisors and one employee Supervisor. The shareholder Supervisors are elected at the Shareholders' meetings, while the employee Supervisor is elected by our employees.

Our senior management consists of eight members who are responsible for our day-to-day management and operation.

DIRECTORS

The following table sets out certain information regarding our current Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Responsibilities
Mr. Zhang Guoqiang (張國強先生)	42	July 12, 2012	July 12, 2012	Chairman of the Board, executive Director and general manager	Corporate strategic planning, managing the overall operations and business development of our Group
Ms. Song Haiying (宋海英女士)	46	February 1, 2014	July 9, 2015	Executive Director, deputy general manager and chief financial officer	Corporate strategic planning, overseeing the overall operations, business development and financial management of our Group
Ms. Dai Dongzhe (戴東哲女士)	51	July 12, 2012	May 24, 2022	Executive Director and deputy general manager	Corporate strategic planning, overseeing the overall operations, business development, human resources and administration management of our Group

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Responsibilities
Ms. Teng Renjie (滕人杰女士)	70	October 8, 2014	October 8, 2014	Non-executive Director	Providing strategic advice and recommendations on the operation and management of our Group
Mr. Wu Yong (吳勇先生)	56	October 8, 2014	October 8, 2014	Non-executive Director	Providing strategic advice and recommendations on the operation and management of our Group
Mr. Fang Jianyi (方建一先生)	69	April 23, 2019	April 23, 2019	Independent non-executive Director	Supervising and providing independent judgment to the Board
Mr. Liu Xiaoshi (劉小詩先生)	67	April 23, 2019	April 23, 2019	Independent non-executive Director	Supervising and providing independent judgment to the Board
Mr. Ji Xuehong (紀雪洪先生)	44	January 10, 2022	January 10, 2022	Independent non-executive Director	Supervising and providing independent judgment to the Board
Mr. Chan So Kuen (陳素權先生)	43	the Listing Date	December 16, 2021 (effective from the Listing Date)	Independent non-executive Director	Supervising and providing independent judgment to the Board

Executive Directors

Mr. Zhang Guoqiang (張國強先生), aged 42, is one of the founders of our Company, chairman of the Board, executive Director and general manager of our Company and is mainly responsible for corporate strategic planning, managing the overall operations and business development of our Group. Mr. Zhang was appointed as the executive Director in July 2012 and further appointed as the chairman of the Board and the general manager of our Company in November 2014. Mr. Zhang is also a director of Shanghai SinoFuelCell, SinoHytec Power, Chengdu SinoHytec Power Technology Co., Ltd. (成都億華通動力科技有限公司), Guochuang Hebei Hydrogen Energy Industry Innovation Center Co., Ltd. (國創河北氫能產業創新中心有限公司), Beijing Shenchuan Technology Co. Ltd. (北京神椽科技有限公司), Shanghai Shenrong New Energy Technology Co., Ltd. (上海神融新能源科技有限公司) ("**Shanghai Shenrong**"), Tangshan SinoFuelCell Co., Ltd. (唐山神力科技有限公司) and Toyota Sinohytec.

Mr. Zhang has over ten years of experience in the fuel cell system industry. Prior to establishing our Group, Mr. Zhang served as a department manager and deputy general manager in Beijing Qingneng Huatong Technology Development Co., Ltd. (北京清能華通科技發展有限公司), a company principally engaged in technical development in new energy source, from May 2005 to June 2012, where he was primarily responsible for business planning and operational management.

Mr. Zhang graduated as an undergraduate in marketing from Shanxi University of Finance and Economics (山西財經大學) in China in July 2003. He then obtained his master's degree in public administration from Tsinghua University (清華大學) in China in July 2010. Mr. Zhang graduated from the University of Chinese Academy of Sciences (中國科學院大學) in China with a doctoral degree in management science and engineering in July 2017. Mr. Zhang completed postdoctoral research on power engineering and engineering thermophysics from April 2018 to July 2020. He was awarded the qualification of professorate senior engineer specializing in new energy vehicles issued by Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) in December 2020.

Mr. Zhang was a partner, a director and/or a general manager of the following limited partnership or companies prior to their cancelation with details as follows:

Company name	Place of incorporation	Position before cancelation	Business nature	Nature of proceeding	Date of cancelation
Shenzhen Qindahang Investment Management Center (limited partnership)* (深圳勤達行投資管理中心(有限合夥))	PRC	Partner	Investment management	Cancelation	October 21, 2019
Hangzhou Shuimu Donggan Equity Investment Fund Management Co., Ltd. (杭州水木東感股權投資基金管理有限公司)	PRC	Executive director	Investment management	Cancelation	November 27, 2017
Beijing Xinneng Gaochuang Technology Development Co., Ltd. (北京新能高創科技發展有限公司)	PRC	General manager	Technology service	Cancelation	February 21, 2010
Beijing Zhongke Huaan Technology Development Co., Ltd. (北京中科華安科技發展有限公司)	PRC	General manager	Technology promotion services	Cancelation	August 11, 2010
Beijing Qinggu Technology Co., Ltd. (北京青谷科技有限公司)	PRC	Executive director and general manager	Technology services	Cancelation	October 10, 2022

As confirmed by Mr. Zhang, (i) each of the above limited partnership or companies was inactive and solvent at the time of its cancelation; (ii) there was no wrongful act on his part leading to the cancelation; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of such cancelation.

Ms. Song Haiying (宋海英女士), aged 46, is our executive Director, deputy general manager and chief financial officer, and is mainly responsible for corporate strategic planning, overseeing the overall operations, business development and financial management of our Group. She was appointed as the chief financial officer of our Company in February 2014, and appointed as the Director and deputy general manager of our Company in July 2015 and further designated as the executive Director in November 2021. Ms. Song is also a director of Shanghai SinoFuelCell, Tangshan Qianchen New Energy Development Co., Ltd. (唐山謙辰新能源發展有限公司), Hubei Guochuang Hydrogen Power Technology Co., Ltd. (湖北國創氫能動力科技有限公司) ("**Hubei Guochuang**"), Shanghai Shenrong and Toyota Sinohytec.

Ms. Song has over 16 years of experience in finance industry. From June 2005 to August 2012, she last served as an investment manager in Beijing Jiankun Investment Group Co., Ltd. (北京健坤投資集團有限公司), a company principally engaged in investment management and project management, where she was mainly responsible for investment business management. From September 2012 to October 2013, she was a senior investment manager in Ziguang Group Co., Ltd. (紫光集團有限公司), a company principally engaged in production and development of integrated circuit, where she was mainly responsible for external investment business.

Ms. Song obtained her bachelor's degree in accounting and master's degree in corporate management from the Liaoning Technical University (遼寧工程技術大學) in China in June 2000 and April 2003, respectively.

Ms. Song was a partner or a director of the following limited partnership or company prior to their cancelation with details as follows:

Name	Place of incorporation	Position before cancelation	Business nature	Nature of proceeding	Date of cancelation
Shenzhen Qindahang Investment Management Center (limited partnership)* (深圳勤達行投資管理中心(有限合夥))	PRC	Partner	Investment management	Cancelation	October 21, 2019
Zhangjiakou Jiaotou CNPC New Energy Technology Co., Ltd. (張家口市交投中油新能源科技有限公司)	PRC	Director	New energy technology development	Cancelation	July 20, 2021

As confirmed by Ms. Song, (i) each of the above limited partnership or company was inactive and solvent at the time of its cancelation; (ii) there was no wrongful act on her part leading to the cancelation; and (iii) she is not aware of any actual or potential claim that has been or will be made against her as a result of such cancelation.

In the non-public offering of the Company of 1,554,991 Shares on the NEEQ completed in June 2016 (the "**Placing**"), Ms. Song subscribed for 622,222 A Shares. The Placing offered Shares to our key employees, including Directors and senior management, to incentivize and reward them. For details, see "History, Development and Corporate Structure — Our Major Changes in Share Capital and Shareholdings — 2. Non-public offerings from January 2016 to April 2019 and capitalization issue in December 2017".

Out of the 622,222 Shares Ms. Song subscribed for, 79,998 Shares were held on trust (the "**Trust Arrangement**"), among which: (i) 17,777 Shares were held on trust for Ms. Wu Xiaohe (吳曉核女士) ("**Ms. Wu**"), our then secretary of the Board; (ii) 22,222 Shares were held on trust for Mr. Hu Jianping (胡劍平先生) ("**Mr. Hu**"), a friend of Ms. Song who worked in the automobile industry; (iii) 22,222 Shares were held on trust for Mr. Zhang Pu (張璞先生) ("**Mr. Zhang Pu**"), a shareholder of our software development supplier; and (iv) 17,777 Shares were held on trust for Ms. Zhang Hongli (張紅黎女士) ("**Ms. Zhang**", together with Ms. Wu, Mr. Hu and Mr. Zhang Pu, the "**Beneficiaries**"), our then financial manager, respectively. Ms. Wu, Mr. Hu, Mr. Zhang Pu and Ms. Zhang paid Ms. Song RMB160,000, RMB200,000, RMB200,000 and RMB160,000 (the "**Subscription Amounts**") to subscribe for their respective Shares under the Placing. Ms. Wu, as our then secretary of the Board, would be eligible to participate in the Placing but she did not participate because she was preparing to tender her resignation at the relevant time, and she resigned and left our Group in January 2017. Other than Ms. Wu, each of the Beneficiaries, being not our key employees, was not eligible to participate in the Placing.

As confirmed by Ms. Song: (i) the Trust Arrangement was established at the request of the Beneficiaries since they were either our employees and/or individuals with work experience in the related industry and they were confident about our business growth and future development prospect; and (ii) the Beneficiaries were only entitled to the financial interests of the Shares under the Trust Arrangement. Ms. Song at the relevant time was not aware of the disclosure requirements regarding the Trust Arrangement under the relevant NEEQ regulations and only considered the Trust Arrangement as a private dealing of the Shares allocated to her through the Placing between her and the Beneficiaries and did not at the relevant time inform our Company nor other Directors.

During the preparation of the listing of our Company on the SSE STAR Market, Ms. Song had been advised that the Trust Arrangement resulting in the Shares being obtained by the Beneficiaries may have the indirect effect of circumventing the original purpose of the Placing which is to incentivise and reward key employees of our Company, although, as confirmed by Ms. Song, she did not obtain any personal benefit from the Trust Arrangement. Upon such acknowledgement, Ms. Song entered into a trust termination agreement with each of the Beneficiaries to terminate the respective Trust Arrangement in

December 2019, and returned the respective Subscription Amounts with interests to the Beneficiaries. After termination of all Trust Arrangement, all 622,222 Shares subscribed by Ms. Song under the Placing became legally and beneficially held by Ms. Song.

Ms. Song did not hold any Shares before the Placing. Despite the Trust Arrangement, Ms. Song was entitled to exercise the voting rights of all her 622,222 Shares without taking instruction from the Beneficiaries. The aggregate voting right held by our then Directors immediately after completion of the Placing was 9,549,437 Shares, representing 55.83% of our then total issued Shares, among which, Ms. Song held 3.64% of the then total issued Shares.

On June 11, 2020, the NEEQ issued a decision letter (《關於對北京億華通科技股份有限公司董事宋海英等相關主體採取自律監管措施的決定》(股轉系統融一監函[2020]2號)(the "**Decision Letter**") to Ms. Song and Ms. Wu, as the Trust Arrangement between Ms. Song and Ms. Wu was not disclosed to the public and was in violation of the disclosure requirements under the relevant NEEQ regulations.

Our Board is of the view, and the Joint Sponsors concur, that the Trust Arrangement shall not affect the suitability of Ms. Song to act as an executive Director under Rules 3.08 and 3.09 of the Hong Kong Listing Rules, based on the following factors:

1. as advised by our PRC Legal Advisor, the Trust Arrangement did not constitute any violation of the PRC laws and regulations save as the disclosure requirements under the NEEQ regulations as set out in the Decision Letter;

2. Ms. Song did not obtain any personal benefit from the Trust Arrangement, and she considered the Trust Arrangement as her private dealing of the Shares allocated to her through the Placing with the Beneficiaries;

3. all the Trust Arrangement had been terminated;

4. based on the search on the Securities and Futures Market Dishonesty Record Inquiry Platform (證券期貨市場失信記錄查詢平台) conducted by our PRC Legal Advisor, Ms. Song was not subject to any administrative penalty, market entry prohibition decision, disciplinary action imposed by industry organizations for securities and futures markets in the PRC or in breach of any management measures as set forth by any PRC laws, administrative regulations and rules;

5. as advised by our PRC Legal Advisor, the Decision Letter was issued to Ms. Song and Ms. Wu because they were our then senior management and were required to comply with the relevant disclosure requirements, and the Decision Letter was merely a self-regulatory and supervisory measure, which did not amount to or constitute an administrative penalty or any violation of the PRC laws and regulations save as the disclosure requirements under the NEEQ regulations as set out in the Decision Letter; and

6. as advised by our PRC Legal Advisor, the Trust Arrangement and the issuance of the Decision Letter would not impair Ms. Song's suitability to serve as a director of a PRC company or as a Director, deputy general manager and chief financial officer of the Company pursuant to the PRC Company Law, the PRC Securities Law and other PRC laws and regulations.

Our Company has adopted and implemented enhanced internal control policies which prohibit our Directors, Supervisors and senior management to hold any Shares on trust for others or engage in any entrustment arrangement as a beneficiary of Shares under any placing of Shares or share option scheme of our Company, in order to ensure due compliance with all relevant laws and regulations going forward.

Ms. Dai Dongzhe (戴東哲女士), aged 51, is the executive Director and deputy general manager of our Company. Ms. Dai was our Supervisor from July 2015 to May 2022. She was appointed as the Director in May 2022. She is primarily responsible for corporate strategic planning, overseeing the overall operations, business development, human resources and administration management of our Group.

From December 2001 to June 2004, Ms. Dai worked as a project supervisor under the project office in the School of Vehicle and Mobility (formerly known as Department of Automotive Engineering), Tsinghua University, where she was primarily responsible for human resources administration, and financial management. From July 2004 to July 2012, she worked under the finance department in Beijing Qingneng Huatong Technology Development Co., Ltd. (北京清能華通科技發展有限公司). Since July 2012, she has been serving as a human resources and administration general manager in our Group, where she has been primarily responsible for human resources and administration management. Ms. Dai was appointed as a member of the 13th session of the Chinese People's Political Consultative Conference of Zibo Committee in February 2022.

Ms. Dai obtained her bachelor's degree in agronomy from the Beijing University of Agriculture* (北京農學院) in China in July 1994.

Ms. Dai was a supervisor of the following company prior to its cancelation with details as follows:

Company name	Place of incorporation	Position before cancelation	Business nature	Nature of proceeding	Date of cancelation
Beijing Qinggu Technology Co., Ltd. (北京青谷科技有限公司)	PRC	Supervisor	Technology services	Cancelation	October 10, 2022

As confirmed by Ms. Dai, (i) the above company was inactive and solvent at the time of its cancelation; (ii) there was no wrongful act on her part leading to the cancelation; and (iii) she is not aware of any actual or potential claim that has been or will be made against her as a result of such cancelation.

Non-executive Directors

Ms. Teng Renjie (滕人杰女士), aged 70, is our non-executive Director and is mainly responsible for providing strategic advice and recommendations on the operation and management of our Group. She was appointed as the Director in October 2014 and designated as a non-executive Director in November 2021.

Ms. Teng has more than 46 years of experience in electronic engineering and automation. She taught in Tsinghua University from December 1975 to September 1998 and last served as a deputy head and deputy professor in automation department. She served as a vice president in Beijing Tsinghua Industrial R&D Institute (北京清華工業開發研究院), an institute principally engaged in industry technological development, from September 1998 to April 2013, where she was mainly responsible for formulating R&D work plan and organization management.

Ms. Teng graduated in electronic engineering from Tsinghua University in China in December 1975.

Ms. Teng was a supervisor of the following company at the time of revocation of its business license with details as follows:

Company name	Place of incorporation	Position before revocation of business license	Business nature	Nature of proceeding	Date of revocation of business license
Beijing Qingdatongfei Optimization Control Technology Co., Ltd. (北京清大同飛優化控制技術有限責任公司)	PRC	Supervisor	Software and information technology services	Revocation of business license	November 23, 2011

Note: As confirmed by Ms. Teng, to the best of her knowledge, information and belief and having made all reasonable enquiries, the business license of the above company was revoked as the company was inactive with no substantial business operation and the company had omitted the requirement of annual inspection which resulted in revocation of its business license.

As confirmed by Ms. Teng, (i) the above company was inactive and solvent at the time when its business license was revoked; (ii) there was no wrongful act on her part leading to the revocation of business license; and (iii) she is not aware of any actual or potential claim that has been or will be made against her as a result of such revocation of business license.

Mr. Wu Yong (吳勇先生), aged 56, is our non-executive Director and is mainly responsible for providing strategic advice and recommendations on the operation and management of our Group. He was appointed as the Director in October 2014 and designated as the non-executive Director in November 2021. Mr. Wu is also a director of Shanghai SinoFuelCell and the general partner of Shuimu Chuangxin.

Mr. Wu has over 19 years of experience in investment. From June 2004 to June 2012, Mr. Wu was a director and general manager of Beijing Jiahemu Technology Co., Ltd. (北京嘉禾木科技有限公司), a company principally engaged in technical development of environmental protection equipment, where he was mainly responsible for overall operation management. Since June 2012 and November 2020, he has been serving as a general manager and director in Beijing Shuimu Guoding Investment Management Co., Ltd. (北京水木國鼎投資管理有限公司) respectively, a company primarily engaged in investment management, where he has been mainly responsible for overall day-to-day management.

Mr. Wu obtained his bachelor's degree in environmental engineering and master's degree in business management from Tsinghua University in China in July 1988 and June 2000, respectively. He obtained the Qualification Certificate of Senior Engineer issued by Professional and Technical Position Evaluation Committee of the Ministry of Communications (交通部專業技術職務評審委員會) in January 2000.

Mr. Wu was a director of the following companies prior to their cancelation or at the time of revocation of business license with details as follows:

Company name	Place of incorporation	Position before cancelation or revocation	Business nature	Nature of proceeding	Date of cancelation or revocation
Beijing Yike Alliance Clean Technology Development Co., Ltd. (北京易科聯盟清潔技術發展有限公司)	PRC	Director	Cleaner production technology promotion platform	Cancelation	September 21, 2020
Beijing Huaqing Sanjiang Environmental Technology Co., Ltd. (北京華清三疆環境科技有限公司)	PRC	Director	Engineering and technology research and development	Revocation of business license(note)	October 16, 2018
Beijing Yiyan Technology Network Co., Ltd. (北京易研科技網絡有限公司)	PRC	Director	Software and information technology services	Cancelation	January 21, 2019
Handan Hemu Environmental Protection Technology Co., Ltd. (邯鄲市禾木環保科技有限公司)	PRC	Director	Project preparation	Cancelation	March 24, 2017

Note: As confirmed by Mr. Wu, to the best of his knowledge, information and belief and having made all reasonable enquiries, the business license of the above company was revoked as it was inactive with no substantial business operation and the company had omitted the requirement of annual inspection which resulted in revocation of its business license.

As confirmed by Mr. Wu, (i) each of the above companies was inactive and solvent at the time of its cancelation or when its business license was revoked; (ii) there was no wrongful act on his part leading to the cancelation or revocation of business license; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of such cancelation or revocation of business license.

Independent Non-executive Directors

Mr. Fang Jianyi (方建一先生), aged 69, is our independent non-executive Director and is mainly responsible for supervising and providing independent judgment to the Board. He was appointed as the independent Director in April 2019 and was designated as the independent non-executive Director in November 2021.

Mr. Fang worked in Shougang Group Co., Ltd. (首鋼集團有限公司) (formerly known as Shougang Corporation (首鋼總公司)), a company principally engaged in steel production, until February 2014, and with his last position as chief accountant. He worked as a director and vice chairman in Hua Xia Bank Co., Ltd. (華夏銀行股份有限公司) (a company listed on the Shanghai Stock Exchange with the stock code of 600015) until July 2015. From November 2018 to November 2021, he served as an independent director of BAIC Langu New Energy Technology Co., Ltd. (北汽藍谷新能源科技股份有限公司) (a company listed on the Shanghai Stock Exchange with the stock code of 600733 and principally engaged in electric passenger vehicle development).

Mr. Fang obtained his master's degree in business administration from the Cheung Kong Graduate School of Business (長江商學院) in China in July 2005. He obtained the Qualification Certificate of Senior Engineer and Senior Accountant issued by Beijing Senior Professional and Technical Position Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999 and September 1995, respectively.

Mr. Fang was a director of the following companies prior to their cancelation with details as follows:

Company name	Place of incorporation	Position before cancelation	Business nature	Nature of proceeding	Date of cancelation
Beijing Shougang New Steel Co., Ltd. (北京首鋼新鋼有限責任公司)	PRC	Director	Steel smelting	Cancelation	December 27, 2013
Huaqi Investment Co., Ltd. (華企投資有限公司)	PRC	Director	Financial adviser	Cancelation	April 22, 2010
Asset News Industry Co., Ltd. (資產新聞實業有限公司)	PRC	Director	Consulting	Cancelation	August 29, 2008
Longying Investment Co., Ltd. (龍贏投資有限公司)	PRC	Director	Investment consulting	Cancelation	September 24, 2015
Xinbang Investment Co., Ltd. (信邦投資有限公司)	PRC	Director	Investment consulting	Cancelation	July 22, 2019

As confirmed by Mr. Fang, (i) each of the above companies was inactive and solvent at the time of their cancelation; (ii) there was no wrongful act on his part leading to the cancelation; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of such cancelation.

Mr. Liu Xiaoshi (劉小詩先生), aged 67, is our independent non-executive Director and is mainly responsible for supervising and providing independent judgment to the Board. He was appointed as the independent Director in April 2019 and was designated as the independent non-executive Director in November 2021.

From April 1997 to December 2021, he successively worked as a senior manager, deputy general manager and executive general manager in investment bank department and a project expert in business supporting department in China International Capital Corporation Limited (中國國際金融股份有限公司), a company listed on the Shanghai Stock Exchange with the stock code of 601995 and the Main Board of the Hong Kong Stock Exchange with the stock code of 3908, where he has been primarily responsible for corporate finance, energy and transport industry research and key customer service. Since July 2018, Mr. Liu has been working in Beijing Chebaihui Technology Development Co., Ltd. (北京車百會科技發展有限公司), a company principally engaged in policy research on new energy vehicle industry and exhibition service, with current position as a director and general manager.

Mr. Liu graduated as an undergraduate in chemistry from the China University of Petroleum (中國石油大學) (formerly known as Petroleum University (石油大學) and East China Petroleum Institute (華東石油學院)) in China in August 1976. Mr. Liu obtained two master's degrees in science from the State University of New York at Stony Brook in the United States in August 1986 and December 1987, respectively.

Mr. Liu was a director of the following company prior to its cancelation with details as follows:

Company name	Place of incorporation	Position before cancelation	Business nature	Nature of proceeding	Date of cancelation
Wuhan Future Travel Test Technology Co., Ltd. (武漢未來出行測試技術有限公司)	PRC	Director	Automobile inspection service	Cancelation	September 23, 2021

As confirmed by Mr. Liu, (i) the above company was inactive and solvent at the time of its cancelation; (ii) there was no wrongful act on his part leading to the cancelation; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of such cancelation.

Mr. Ji Xuehong (紀雪洪先生), whose former name was Mr. Ji Xuehong (紀雪紅), aged 44, is our independent non-executive Director and is mainly responsible for supervising and providing independent judgment to the Board. He was appointed as our independent non-executive Director on January 10, 2022.

Mr. Ji participated in postdoctoral research on management science and engineering from June 2006 to May 2008. Since May 2008, he has been successively serving as a teacher, associate professor and professor at the School of Economics and Management in North China University of Technology (北方工業大學經濟管理學院).

Mr. Ji obtained his bachelor's degree in real estate management from Central China Normal University (華中師範大學) in China and master's degree in corporate management from Hubei Academy of Social Sciences (湖北省社會科學院) in China in June 1999 and June 2002, respectively. He then obtained his doctoral degree in management science and engineering from Huazhong University of Science and Technology (華中科技大學) in December 2005.

Mr. Chan So Kuen (陳素權先生), aged 43, was appointed as our independent non-executive Director on December 16, 2021 (effective from the Listing Date).

Mr. Chan has over 20 years of experience in accounting, auditing and financial industry. From June 2001 to October 2003 and from January 2004 to July 2009, he last served as a semi-senior audit clerk in Ho and Ho & Company (何錫麟會計師行) and a manager in KPMG. From November 2009 to October 2012, he was the chief financial officer and company secretary of China Great Wall Electric Holdings Limited (中國長城電氣控股有限公司). Mr. Chan has been serving as the chief financial officer of Huazhang Technology Holding Limited (a company listed on the Main Board of the Stock Exchange with the stock code of 1673 and principally engaged in research and development, manufacture and sale of industry automation systems and sludge treatment products) since February 2014, and was its company secretary from February 2014 to November 2021. Mr. Chan has been serving as an independent non-executive director of (i) Link Holdings Limited (a company listed on GEM of the Stock Exchange with the stock code of 8237) since October 2014; and (ii) Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (a company listed on the Main Board of the Stock Exchange with the stock code of 1915) since January 2015.

Mr. Chan obtained his bachelor's degree in accounting from the Hong Kong Polytechnic University in Hong Kong in November 2001. He was certified as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in April 2005.

SUPERVISORS

The following table sets out certain information regarding our current Supervisors:

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Position	Principal roles and responsibilities
Mr. Zhang He (張禾先生)	64	July 12, 2012	May 24, 2022	Chairman of the Supervisory Committee and shareholder Supervisor	Responsible for supervising the technology R&D, the directors and senior management of our Group
Mr. Teng Zhaojun (滕朝軍先生)	39	July 12, 2012	May 24, 2022	Employee Supervisor and deputy head in information technology department	Responsible for supervising the business, the directors and senior management and engaging in informatization construction and maintenance of our Group
Ms. Wang Shanshan (王珊珊女士)	30	December 16, 2021	December 16, 2021	Shareholder Supervisor	Responsible for supervising the compliance operations, the directors and senior management of our Group

Mr. Zhang He (張禾先生), aged 64, is one of the founders of our Company, the chairman of the Supervisory Committee and a shareholder Supervisor of our Company. He joined our Group in July 2012 and was the Director and deputy general manager of our Company from July 2015 to May 2022. Mr. Zhang He has been a director and general manager of Shanghai SinoFuelCell since August 2015 and October 2015, respectively. He has also been a director and general manager of Shanghai Shenrong since October 2015. He is primarily responsible for supervising the technology R&D, the directors and senior management of our Group.

Mr. Zhang He has over 39 years of experience in engineering. He served in Baosteel Group Xinjiang Bayi Iron and Steel Co., Ltd. (寶鋼集團新疆八一鋼鐵股份有限公司) (previously known as Xinjiang Bagang Steelmaking Plant (新疆八鋼煉鋼廠)), a company principally engaged in smelting and processing of ferrous metal, in 1981. From December 1998 to May 2003, he worked as a senior engineer in Xinjiang Transportation Science Research Institute Co., Ltd. (新疆交通科學研究院有限責任公司) (previously known as Xinjiang Transportation Science Research Institute (新疆交通科學研究所)), an institute primarily engaged in transportation science research. From November 2002 to August 2005, he worked in Wanxiang Electric Vehicle Co., Ltd. (萬向電動汽車有限公司), a company principally engaged in the development of electric vehicle parts. From August 2005 to June 2012, he worked as a deputy general manager in Beijing Qingneng Huatong Technology Development Co., Ltd. (北京清能華通科技發展有限公司), where he was mainly responsible for technical management, planning and marketing.

Mr. Zhang He graduated as an undergraduate in industrial electrical automation from Xinjiang University (新疆大學) (formerly known as Xinjiang Institute of Technology (新疆工學院)) in China in January 1982. He obtained the Qualification Certificate of Senior Engineer specializing in mechatronics issued by Personnel Department of the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區人事廳) in June 1994.

Mr. Zhang He was a supervisor of the following company prior to its cancelation with details as follows:

Company name	Place of incorporation	Position before cancelation	Business nature	Nature of proceeding	Date of cancelation
Changzhou Maikeka Electric Vehicle Technology Co., Ltd. (常州麥科卡電動車輛科技有限公司)	PRC	Supervisor	Research and development of electric vehicles and their parts	Cancelation	October 29, 2020

As confirmed by Mr. Zhang He, (i) the above company was inactive and solvent at the time of its cancelation; (ii) there was no wrongful act on his part leading to the cancelation; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of such cancelation.

Mr. Teng Zhaojun (滕朝軍先生), aged 39, is the employee Supervisor and a head in information technology department of our Company. Mr. Teng was appointed as the Supervisor in May 2022. He is primarily responsible for supervising the business, the directors and senior management and engaging in informatization construction and maintenance of our Group.

Mr. Teng engaged in technology related work in Renesas Semiconductor (Beijing) Co., Ltd. (瑞薩半導體(北京)有限公司) (formerly known as Renesas Sitong Integrated Circuit (Beijing) Co., Ltd. (瑞薩四通集成電路(北京)有限公司)), a company principally engaged in semiconductor manufacturing, from December 2004 to October 2006. From November 2006 to May 2011, he engaged in engineering technology related work in FIH Precision Component (Beijing) Co., Ltd. (富智康精密組件(北京)有限公司) (formerly known as Foxconn Precision Component (Beijing) Co., Ltd. (富士康精密組件(北京)有限公司)), a company primarily engaged in R&D and manufacturing of mobile phone components. From July 2011 to June 2012, he worked in the R&D department in Beijing Qingneng Huatong Technology Development Co., Ltd. (北京清能華通科技發展有限公司). Since July 2012, he has been successively serving as an inspector in quality control department, a deputy manager in quality management department, a vice department head in testing center, and a head in information technology department of our Company, where he has mainly been responsible for informatization construction and maintenance.

Mr. Teng obtained his bachelor's degree in engineering, majoring in mechanical engineering and automation and master's degree majoring in engineering management from Tiangong University (天津工業大學) (formerly known as Tianjin Polytechnic University) and Tsinghua University in China in July 2004 and June 2017, respectively. He was awarded the qualification of engineer issued by Beijing Intermediate Specialized Technique Qualification Evaluation Committee (北京市中級專業技術資格評審委員會) in October 2019.

Ms. Wang Shanshan (王珊珊女士), aged 30, is the shareholder Supervisor of our Company. Ms. Wang was appointed as the Supervisor in December 2021. She is primarily responsible for supervising the compliance operations, the directors and senior management of our Group.

Ms. Wang served in Beijing King & Wood Mallesons from July 2018 to October 2018. She has been working as a legal manager in Beijing Shuimu Guoding Investment Management Co., Ltd., where she is principally responsible for drafting and reviewing legal documents, attending business negotiation and funds filing, since November 2018.

Ms. Wang obtained her bachelor's degree in laws from the Jilin University (吉林大學) in China, and her master's degree in laws from the TLBU Graduate School of Law in Seoul in Korea in July 2016 and June 2018, respectively.

SENIOR MANAGEMENT

The following table sets out certain information regarding our current senior management:

Name	Age	Position	Date of joining our Group	Principal roles and responsibilities
Mr. Zhang Guoqiang (張國強先生)	42	Chairman of the Board, executive Director and general manager	July 12, 2012	Corporate strategic planning, managing the overall operations and business development of our Group
Ms. Song Haiying (宋海英女士)	46	Executive Director, deputy general manager and chief financial officer	February 1, 2014	Corporate strategic planning, overseeing the overall operations, business development and financial management of our Group
Ms. Dai Dongzhe (戴東哲女士)	51	Executive Director and deputy general manager	July 12, 2012	Corporate strategic planning, overseeing the overall operations, business development, human resources and administration of our Group
Mr. Zhang He (張禾先生)	64	Chairman of the Supervisory Committee, shareholder Supervisor, and director and general manager of Shanghai SinoFuelCell	July 12, 2012	Responsible for supervising the technology R&D, the directors and senior management of our Group
Mr. Yu Min (于民先生)	45	Deputy general manager	January 26, 2016	Corporate production, procurement, information technology and engineering management of our Group
Mr. Jia Nengyou (賈能鈾先生)	59	Deputy general manager	January 26, 2016	Corporate product planning and technology research and development of our Group
Mr. Kang Zhi (康智先生)	44	Secretary to the Board	April 16, 2015	Corporate information disclosure of our Group
Mr. Li Feiqiang (李飛強先生)	40	Deputy general manager	February 20, 2020	Corporate technology management, product planning and research and development of our Group

Mr. Zhang Guoqiang (張國強先生), aged 42, is the chairman of the Board, executive Director and general manager of our Company. For the biography of Mr. Zhang, see "— Directors — Executive Directors".

Ms. Song Haiying (宋海英女士), aged 46, is an executive Director, deputy general manager and chief financial officer of our Company. For the biography of Ms. Song, see "— Directors — Executive Directors".

Ms. Dai Dongzhe (戴東哲女士), aged 51, is an executive Director and deputy general manager of our Company. For the biography of Ms. Dai, see "— Directors — Executive Directors".

Mr. Zhang He (張禾先生), aged 64, is the chairman of the Supervisory Committee, a shareholder Supervisor of our Company, and a director and general manager of Shanghai SinoFuelCell. For the biography of Mr. Zhang He, see "— Supervisors".

Mr. Yu Min (于民先生), whose former name was Mr. Yu Aimin (于愛民), aged 45, is a deputy general manager in our Company. Mr. Yu is primarily responsible for corporate production, procurement, information technology and engineering management of our Group. Mr. Yu has been working as a deputy general manager in our Company since January 2016. He is also a director of Shandong Huaqing Dongli Technology Co., Ltd. (山東華清動力科技有限公司), Beijing Future Hydrogen Valley Technology Co., Ltd. (北京未來氫谷科技有限公司), Beijing Juxinghuatong Hydrogen Energy Technology Co., Ltd. (北京聚興華通氫能科技有限公司) and Hubei Guochuang.

Mr. Yu served as a division chief in sales management division, head in marketing management department, head in customer development department, regional business director for Central and South America and Central and South Africa, executive deputy manager in medium and heavy truck business of overseas business division in Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司), from July 2000 to December 2015.

Mr. Yu obtained his bachelor's degree in mechanical design and manufacturing from the Hebei University of Engineering (河北工程大學) (previously known as the Hebei Architecture and Technology College (河北建築科技學院)) in China in June 2000.

As of the Latest Practicable Date, Mr. Yu held 319,736 A Shares, representing approximately 0.32% of our total issued share capital.

Mr. Jia Nengyou (賈能鈾先生), aged 59, is a deputy general manager in our Company. Mr. Jia is mainly responsible for corporate product planning and technology research and development of our Group. Mr. Jia has been working as a deputy general manager in our Company since January 2016. From March 2012 to July 2015, he was a senior engineer in Automotive Fuel Cell Cooperation (AFCC).

Mr. Jia obtained his bachelor's degree in corrosion and protection from East China University of Science and Technology (華東理工大學) (previously known as East China Institute of Chemical Technology (華東化工學院)) and master's degree in science chemistry from the Memorial University of Newfoundland in Canada in July 1985 and May 1999, respectively.

Mr. Kang Zhi (康智先生), aged 44, is our secretary to the Board since January 2017 and was appointed as our joint company secretary with effect from the Listing Date. He has been mainly responsible for corporate information disclosure of our Group. Mr. Kang served as a manager in the investment department of our Company from April 2015 to January 2017. He is also a director of Hubei Guochuang.

Mr. Kang worked in Beijing Zhaowei Electronics (Group) Co., Ltd. (北京兆維電子(集團)有限責任公司), a company primarily engaged in development and production of computer software and hardware, from August 2000 to August 2007. From September 2007 to January 2012, he was a deputy general manager of the management center in Beijing Jiabowen Biotechnology Co., Ltd. (北京嘉博文生物科技有限公司), a company primarily engaged in production and development of environmental protection products. From February 2012 to April 2015, he was a manager of strategic investment development in Beijing Mudan Electronics Group Co., Ltd. (北京牡丹電子集團有限責任公司), a company principally engaged in electronic component manufacturing.

Mr. Kang obtained his bachelor's degree in industrial foreign trade from the Shenyang Ligong University (沈陽理工大學) (previously known as Shenyang College of Technology (沈陽工業學院)) in China in July 2000.

As of the Latest Practicable Date, Mr. Kang held 220,296 A Shares, representing approximately 0.22% of our total issued share capital.

Mr. Li Feiqiang (李飛強先生), aged 40, is a deputy general manager in our Company. Mr. Li Feiqiang is primarily responsible for corporate technology management, product planning and R&D of our Group. Mr. Li was appointed as a director of business department of our Company in February 2020 and was appointed as a deputy general manager in our Company in August 2021.

Mr. Li served in Beijing Jingwei Hirain Technologies Corporation (北京經緯恒潤科技股份有限公司) (formerly known as Beijing Jingwei Hirain Technologies Co., Ltd. (北京經緯恒潤科技有限公司)), a company principally engaged in research and development and production of electronic products for new energy, automobiles, intelligent driving and artificial intelligence, from September 2010 to June 2011. From July 2011 to January 2019, he worked as a senior manager of fuel cell in Yutong Bus (a company listed on the Shanghai Stock Exchange with the stock code of 600066 and formerly known as Zhengzhou Yutong Bus Co., Ltd. (鄭州宇通客車股份有限公司)), a company primarily engaged in research and development, production and sales of passenger cars and passenger cars parts. From January 2016 to January 2020, Mr. Li completed postdoctoral research on power engineering and engineering thermophysics in Tsinghua University.

Mr. Li obtained his bachelor's degree in vehicle engineering from Jilin University (吉林大學) in China in July 2005. Mr. Li obtained his doctoral degree in vehicle engineering from Beijing Institute of Technology (北京理工大學) in China in January 2010.

Mr. Li was awarded as the outstanding young expert of science and technology in Henan Province (河南省優秀青年科技專家) in September 2018. He also obtained the Senior Professional and Technical Qualification Certificate specializing in mechanical design issued by Chinese Academy of Sciences (中國科學院).

Save as disclosed above, none of our Directors, Supervisors and members of senior management is related to other Directors, Supervisors and members of senior management.

Save as disclosed above, none of our Directors, Supervisors and members of senior management held any directorship in any public companies, the shares of which are listed in Hong Kong or overseas stock markets, during the three years prior to the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. Kang Zhi (康智先生), who was appointed as one of our joint company secretaries with effect from the Listing Date, is also the secretary to our Board. For the biography of Mr. Kang, see "— Senior Management".

Mr. Lau Kwok Yin (劉國賢先生), aged 37, was appointed as one of our joint company secretaries with effect from the Listing Date.

Mr. Lau has more than 13 years of experience in corporate secretarial services, finance and banking operations. Mr. Lau has been serving as the company secretary or joint company secretary of several companies listed on the Stock Exchange. He is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited.

Mr. Lau obtained a bachelor's degree in business administration (accounting and finance) from the University of Hong Kong in 2007. He is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charterholder, and a fellow of each of The Chartered Governance Institute and the Hong Kong Chartered Governance Institute (previously known as The Hong Kong Institute of Chartered Secretaries).

Our Company has been granted a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Kang Zhi may be appointed as a joint company secretary of our Company. However, the waiver can be revoked if there are material breaches of the Listing Rules by our Company. For details, see "Waivers from Strict Compliance with the Hong Kong Listing Rules".

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees in accordance with relevant PRC laws, regulations, the Articles and the Hong Kong Listing Rules, namely the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Evaluation Committee.

The Strategy Committee

The Strategy Committee consists of three Directors, namely Mr. Zhang, Ms. Song Haiying and Ms. Dai Dongzhe. Mr. Zhang currently serves as the chairperson of the committee. The primary duties of the Strategy Committee are to study and advise on the long-term strategy and major investments and financing plans of our Group.

The Audit Committee

Upon Listing, the Audit Committee will consist of three Directors, namely Mr. Fang Jianyi, Mr. Ji Xuehong and Mr. Chan So Kuen. Mr. Fang Jianyi will continue to serve as the chairperson of the committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of our Group.

The Nomination Committee

The Nomination Committee consists of three Directors, namely Mr. Liu Xiaoshi, Mr. Ji Xuehong and Mr. Zhang. Mr. Liu Xiaoshi currently serves as the chairperson of the committee. The primary duties of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and senior management.

The Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of three Directors, namely Mr. Liu Xiaoshi, Mr. Ji Xuehong and Ms. Dai Dongzhe. Mr. Liu Xiaoshi currently serves as the chairperson of the committee. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "**CG Code**") save as disclosed below, and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules after the Listing.

Under code provision C.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang is our general manager, and he also serves as the chairman of our Board as he has over ten years of experience in the fuel cell system industry. Our Board believes that vesting the roles of both the chairman of our Board and the general manager in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group.

Our Directors will review our corporate governance policies and compliance with the CG Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

BOARD DIVERSITY

We have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain a high level of diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience, and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, a number of factors will be taken into account in determining the board composition to achieve board diversity, including but not limited to professional experience, skills, knowledge, age, gender, education, cultural background and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the CG Code.

The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness including assessing annually on the board's diversity profile including gender balance and making recommendation on suitable candidates for Board appointments and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

COMPLIANCE ADVISOR

Our Company has appointed Guotai Junan Capital, in accordance with Rule 3A.19 of the Listing Rules, as our compliance advisor for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will provide advice to us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notification or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or if our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes any inquiry to us regarding unusual movements in the price or trading volume of our Shares.

Meanwhile, pursuant to Rule 19A.06(3) of the Listing Rules, the compliance advisor shall inform us on a timely basis of any amendment or supplement to the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange from time to time and any new or amended law, regulation or code in Hong Kong applicable to our Company. The compliance advisor shall also provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management receive their remuneration in the form of salary and allowances, social insurance and provident fund and bonuses. Our independent non-executive Directors received independent directors' allowances from our Company.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the total remuneration paid to our Directors amounted to approximately RMB1.8 million, RMB2.1 million, RMB3.1 million and RMB1.2 million, respectively.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the total remuneration paid to our Supervisors amounted to approximately RMB1.3 million, RMB1.4 million, RMB1.6 million and RMB0.6 million, respectively.

Under the arrangements currently in force, our Directors and Supervisors are estimated to receive total fixed remuneration (before tax), for the year ending December 31, 2022, of approximately RMB2.4 million. The remuneration of Directors and Supervisors consists of directors' allowance, salaries and other benefits, bonus and social insurance and provident fund and bonuses, which are determined based on the evaluation of each of the Directors' and Supervisors' individual performance and the internal remuneration management of our Group in 2022. The actual remuneration of Directors and Supervisors in 2022 may be different from the expected remuneration.

For each of the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022, there was one, one, two and one Directors among the five highest paid individuals, respectively. The total emoluments for the remaining individuals among the five highest paid individuals amounted to RMB3.3 million, RMB3.7 million, RMB3.8 million and RMB1.7 million for each of the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022, respectively. See "Appendix I — Accountants' Report — II. Notes to the Historical Financial Information — 13. Directors', Chief Executive's and Supervisors' Emoluments" and "Appendix I — Accountants' Report — II. Notes to the Historical Financial Information — 14. Five Highest Paid Employees" for further details.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, no payment was made by us to any of the Directors, past director or the five highest paid individuals as an inducement to join us or as compensation for loss of office. For details of remuneration received by our Supervisors from our Company, see "Appendix I — Accountants' Report — II. Notes to the Historical Financial Information — 13. Directors', Chief Executive's and Supervisors' Emoluments". None of the Directors or Supervisors waived their remuneration during the relevant period.

The remuneration of Directors, Supervisors and senior management is determined with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management, employment conditions of other positions in our Company and the desirability of performance-based remuneration.

As of the Latest Practicable Date, save as otherwise disclosed above and in "Substantial Shareholders" and "Appendix VI — Statutory and General Information — 4. Disclosure of Interests", none of the Directors, Supervisors or senior management is interested in any Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there was no additional matter with respect to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders or the Stock Exchange and there was no additional information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(b) to (v) of the Hong Kong Listing Rules as of the Latest Practicable Date.

RESIGNATION AND APPOINTMENT OF DIRECTORS DURING AND AFTER THE TRACK RECORD PERIOD

As of January 1, 2019, our Board consisted of Mr. Zhang, Mr. Zhang He, Ms. Song Haiying, Ms. Teng Renjie and Mr. Wu Yong.

On April 23, 2019, our Company convened an extraordinary general meeting, at which Mr. Zhang, Mr. Zhang He, Ms. Song Haiying, Ms. Teng Renjie and Mr. Wu Yong were elected as our Directors, Mr. Fang Jianyi, Mr. Zhang Jinhua (張進華) and Mr. Liu Xiaoshi were elected as our independent Directors. On January 10, 2022, Mr. Zhang Jinhua resigned and Mr. Ji Xuehong was subsequently elected as our independent non-executive Director. Mr. Zhang Jinhua resigned as a director of our Company due to his personal work arrangement as he would like to devote more time and attention to his other work duties, and he has confirmed that he has had no disagreement with our Company.

On May 24, 2022, our Company convened an extraordinary general meeting, at which Mr. Zhang, Ms. Song Haiying, Ms. Dai Dongzhe, Ms. Teng Renjie and Mr. Wu Yong were elected as our Directors, Mr. Fang Jianyi, Mr. Liu Xiaoshi and Mr. Ji Xuehong were elected as our independent Directors, and Mr. Chan So Kuen was elected as our independent Director with effect from the Listing Date. Mr. Zhang He retired as an executive Director and he was elected as a Supervisor in the extraordinary general meeting of the Company held on May 24, 2022. Mr. Zhang He did not offer himself for re-election as a Director as he would like to focus on other R&D work of the Group and to oversee the Company's operation as a Supervisor. He has confirmed that he has had no disagreement with our Company in relation to his retirement.

OVERVIEW

Mr. Zhang is the founder and the largest Shareholder of our Company. As of the Latest Practicable Date, Mr. Zhang held 18,594,117 A Shares, representing approximately 18.61% of our total issued share capital. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Zhang will hold approximately 15.82% of our total issued share capital. Accordingly, Mr. Zhang will remain our largest Shareholder immediately after Listing.

COMPETITION

Each of our largest Shareholder and Directors confirms that he or she does not have any interest in a business apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules.

Non-competition Undertaking

For the purpose of the listing of our A Shares on the SSE STAR Market and in order to avoid any potential competition between our Group and the companies controlled by Mr. Zhang, Mr. Zhang had provided a non-competition undertaking in favor of our Company on June 30, 2019 (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, Mr. Zhang has undertaken that:

(1) he had not and will not directly or indirectly engage in any activities that will or may lead to competition with our Group's existing or future business;

(2) the companies controlled directly or indirectly by him had not and will not directly or indirectly engage in any activities that will or may lead to competition with our Group's existing or future business, and in the event that the business of the companies he invests in, works for or controls, competes or potentially competes with the business of our Company, he will put the relevant shares or assets associated with such business under our Company's operation or control, or eliminate such competition through other lawful and effective means, and our Company has the right to request him to transfer all his shares in such companies or entities, and in such case he will provide our Company with the right of first refusal and ensure the fairness and reasonableness of the consideration of such transfer;

(3) in the event that he obtains any business opportunity from a third party that will or may compete with the business of our Company, he will notify our Company immediately and take any steps recognized by the relevant regulatory authorities to exclude himself from the actual management and operation of the assets, shares and business of such business opportunity, so as to avoid competition with our Company; and

(4) if he breaches any of the above undertakings, he will compensate for any loss directly or indirectly suffered by our Company and will properly handle all follow-up matters.

INDEPENDENCE FROM OUR LARGEST SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our largest Shareholder and his close associates after Listing:

Management Independence

Upon Listing, our Board will comprise three executive Directors, two non-executive Directors and four independent non-executive Directors. Mr. Zhang is our chairman of the Board, executive Director and general manager. The day-to-day management of our business rests with our Board and senior management team in a collective manner. The balance of power and authority is ensured by the operation of our senior management team and our Board. For details of the background of Mr. Zhang, see "Directors, Supervisors and Senior Management".

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the management role in our Group independently.

Operational Independence

We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently from Mr. Zhang and his close associates. We have independent access to suppliers and customers. We are also in possession of all relevant assets, licenses, trademarks and other intellectual property necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are of the view that there is no operational dependence by us on Mr. Zhang or his close associates and our Group is able to operate independently from Mr. Zhang and his close associates after Listing.

Financial Independence

We have our own independent financial system, internal control and accounting systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with Mr. Zhang. We have made tax filings and paid tax independently of Mr. Zhang pursuant to applicable laws and regulations. We have established an independent finance department and implemented sound and independent audit, accounting and financial management systems. We have adequate financial resources and credit facilities to support our daily operation. We expect that we will not rely on Mr. Zhang or any of his close associates for financing after the Listing, taking into consideration of our financial condition and financial resources, including cash and bank balances, anticipated cash flows from operations, facilities and borrowings from banks and financial institutions and estimated net proceeds from the Global Offering.

As of the Latest Practicable Date, no financial assistance including amounts due to, and loans, guarantees or securities were provided by Mr. Zhang and/or his close associates to our Group.

Based on the above, our Directors consider that our operations are financially independent from Mr. Zhang and his close associates after the Listing.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairperson and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance in protecting the interests of our Shareholders. We have adopted the following corporate governance measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and Mr. Zhang:

(i) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with Mr. Zhang or his associates, our Company will comply with the applicable Listing Rules;

(ii) where a Shareholders meeting is to be held for considering proposed transactions in which Mr. Zhang or his close associates have any material interest, Mr. Zhang and/or his close associates (as applicable) will not vote on the resolutions and shall not be counted in the quorum for the voting;

(iii) our Board consists of a balanced composition of executive, non-executive and independent non-executive Directors, with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in "Directors, Supervisors and Senior Management", individually and collectively possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and Mr. Zhang and provide impartial and professional advice to protect the interest of our minority Shareholders;

(iv) where the advice from an independent professional, such as that from a financial or legal advisor, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at our Company's expenses; and

(v) we have appointed Guotai Junan Capital as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable Hong Kong laws.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and Mr. Zhang, and to protect minority Shareholders' rights after Listing.

As of the Latest Practicable Date, our registered share capital was RMB99,891,387 comprising 99,891,387 A Shares and the following persons directly or indirectly control, or are entitled to exercise the control of, 5% or more of our A Shares:

Name of Shareholders	Capacity/Nature of Interest	Class of Shares	Number of A Shares held	Approximate percentage of interest in the total Shares of our Company
Mr. Zhang	Beneficial interest	A Share	18,594,117[1]	18.61%
Ms. Xu Huini (許惠妮女士)[2]	Interest of spouse	A Share	18,594,117	18.61%
Mr. Wu Yong (吳勇先生)[3]	Interest in controlled corporations	A Share	5,634,115	5.64%
Ms. Cheng Wenhua (成文華女士)[4]	Interest of spouse	A Share	5,634,115	5.64%
Gongqingcheng Shuimu Guoxin Venture Capital Management Center (L.P.) (共青城水木國信創業投資管理中心(有限合夥)) ("**Shuimu Guoxin**")[3]	Interest in controlled corporations	A Share	5,634,115	5.64%
Shuimu Chuangxin[3]	Interest in controlled corporations	A Share	5,634,115	5.64%

(1) The relevant Shares are subject to a lock-up period of 36-month commencing from August 10, 2020.

(2) Ms. Xu Huini is the spouse of Mr. Zhang. By virtue of the SFO, she is deemed to be interested in the A Shares held by Mr. Zhang.

(3) Shuimu Chuangxin is the general partner for each of Shuimu Sail Venture, Shuimu Changfeng and Shuimu Yuanjing. As of the Latest Practicable Date, Shuimu Sail Venture, Shuimu Changfeng and Shuimu Yuanjing held approximately 2.62%, 1.70% and 1.31% equity interest of our Company, respectively. Mr. Wu Yong, our Director, is the general partner of Shuimu Chuangxin, which is owned as to 10% and 80% by Mr. Wu Yong and Shuimu Guoxin, respectively. Shuimu Guoxin is owned as to approximately 54.55% by Mr. Wu Yong. Therefore, each of Mr. Wu Yong, Shuimu Guoxin and Shuimu Chuangxin is deemed to be interested in the Shares held by each of Shuimu Sail Venture, Shuimu Changfeng and Shuimu Yuanjing by virtue of the SFO.

(4) Ms. Cheng Wenhua is the spouse of Mr. Wu Yong. By virtue of the SFO, she is deemed to be interested in the interest of Mr. Wu Yong in our Company.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), our share capital will comprise 99,891,387 A Shares and 17,628,000 H Shares, representing approximately 85.00% and 15.00% of the total issued share capital of our Company, respectively.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have an interest or a short position in our Shares or underlying Shares of our Company which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Capacity/ Nature of Interest	Class of Shares	Number of Shares held	Approximate percentage of interest in the relevant class of Shares of our Company	Approximate percentage of interest in the total Shares of our Company
Mr. Zhang	Beneficial interest	A Share	18,594,117[1]	18.61%	15.82%
Ms. Xu Huini[2]	Interest of spouse	A Share	18,594,117	18.61%	15.82%

(1) The relevant Shares are subject to a lock-up period of 36-month commencing from August 10, 2020.

(2) Ms. Xu Huini is the spouse of Mr. Zhang. By virtue of the SFO, she is deemed to be interested in the A Shares held by Mr. Zhang.

For details of those persons who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a shareholders' meeting of any other member of our Group, see "Appendix VI — Statutory and General Information".

As of the Latest Practicable Date, we are not aware of any arrangement which may on a subsequent date result in a change of control of our Company.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 50 H Shares) that may be purchased for an aggregate amount of approximately HK$387.6 million (exclusive of the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$60.00, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 6,460,400 Offer Shares, representing approximately 36.65% of the H Shares in issue upon completion of the Global Offering and approximately 5.50% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$68.00, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 5,700,350 Offer Shares, representing approximately 32.34% of the H Shares in issue upon completion of the Global Offering and approximately 4.85% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$76.00, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 5,100,300 Offer Shares, representing approximately 28.93% of the H Shares in issue upon completion of the Global Offering and approximately 4.34% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors through introduction by the relevant Underwriter(s) in the Global Offering.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid H Shares in issue and will count towards the public float of our Company under Rule 8.08 of the Listing Rules.

If there is over-allocation in the International Offering, there may be deferred delivery of the Offer Shares to be subscribed for by the Cornerstone Investors under the Cornerstone Placing. The Cornerstone Investors have agreed that the Joint Global Coordinators may, in their sole and absolute discretion, defer the delivery of all or a portion of the Offer Shares that such Cornerstone Investors have subscribed for to a date later than the Listing Date. There will be no deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements and payment for the Offer Shares to be subscribed by the Cornerstone Investors will be settled before the Listing.

Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company, and the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

To the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, our Directors, chief executives, our single largest Shareholder, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other dispositions of the Shares registered in its name or otherwise held by it; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, our Directors, chief executives, our single largest Shareholder, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iv) each of the Cornerstone Investors will directly subscribe for and hold the relevant Offer Shares on its behalf, each of the Cornerstone Investors will directly subscribe for and hold the relevant Offer Shares for its own account. Each of the Cornerstone Investors has confirmed that all necessary consents, approvals, authorizations, permissions and registrations have been obtained with respect to the Cornerstone Placing.

As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around Wednesday, January 11, 2023.

THE CORNERSTONE INVESTORS

The tables below sets forth details of the Cornerstone Placing:

Based on the Offer Price of HK$60.00 (being the low-end of the indicative Offer Price range)

Cornerstone Investor	Investment amount *(HK$)*	Number of Offer Shares to be acquired[(1)]	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the H Shares in issue upon completion of the Global Offering	Approximate % the total Shares in issue upon completion of the Global Offering	Approximate % of the H Shares in issue upon completion of the Global Offering	Approximate % the total Shares in issue upon completion of the Global Offering
Astonish Investment	232,000,000	3,866,650	21.93%	3.29%	19.07%	3.22%
Harvest	155,626,000	2,593,750	14.71%	2.21%	12.79%	2.16%
Total		6,460,400	36.65%	5.50%	31.87%	5.38%

Based on the Offer Price of HK$68.00 (being the mid-point of the indicative Offer Price range)

Cornerstone Investor	Investment amount *(HK$)*	Number of Offer Shares to be acquired[(1)]	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the H Shares in issue upon completion of the Global Offering	Approximate % the total Shares in issue upon completion of the Global Offering	Approximate % of the H Shares in issue upon completion of the Global Offering	Approximate % the total Shares in issue upon completion of the Global Offering
Astonish Investment	232,000,000	3,411,750	19.35%	2.90%	16.83%	2.84%
Harvest	155,626,000	2,288,600	12.98%	1.95%	11.29%	1.90%
Total		5,700,350	32.34%	4.85%	28.12%	4.74%

Based on the Offer Price of HK$76.00 (being the high-end of the indicative Offer Price range)

Cornerstone Investor	Investment amount (*HK$*)	Number of Offer Shares to be acquired(1)	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the H Shares in issue upon completion of the Global Offering	Approximate % the total Shares in issue upon completion of the Global Offering	Approximate % of the H Shares in issue upon completion of the Global Offering	Approximate % the total Shares in issue upon completion of the Global Offering
Astonish Investment	232,000,000	3,052,600	17.32%	2.60%	15.06%	2.54%
Harvest	155,626,000	2,047,700	11.62%	1.74%	10.10%	1.70%
Total		5,100,300	28.93%	4.34%	25.16%	4.24%

(1) Subject to rounding down to the nearest whole board lot of 50 H Shares.

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

1. Astonish Investment Pte. Ltd.

Astonish Investment Pte. Ltd. ("**Astonish Investment**") is an investment holding company incorporated under the laws of Singapore as a private limited company. Astonish Investment Pte. Ltd. is indirectly wholly-owned by GIC (Ventures) Pte. Ltd. and managed by GIC Special Investments Private Limited, which is in turn wholly owned by GIC Private Limited ("**GIC**").

GIC is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests in over 40 countries worldwide in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. GIC is amongst the world's largest fund management companies.

2. Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Great Bay Investment SP

Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Great Bay Investment SP ("**Harvest**") is a fund established in February 2022. Harvest International Premium Value (Secondary Market) Fund SPC is a segregated portfolio company established in the Cayman Islands and is an Independent Third Party. 91% of the management shares of Harvest International Premium Value (Secondary Market) Fund SPC are held by Harvest Global Investments Limited ("**HGI**") and 9% of the management shares are held by Harvest Global Capital Investments Limited ("**HGCI**"). Incorporated in Hong Kong in 2008, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd ("**HFM**"). HFM is one of the first ten public fund management companies approved to be established within China. HGCI is a company incorporated in Hong Kong in 2011 and licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. The participating shareholder of Harvest Great Bay Investment SP is Navigator Technology Limited ("**NTL**"), and the ultimate beneficial owner of NTL is Zheng Fuhua, an Independent Third Party.

CLOSING CONDITIONS

The obligation of each of the Cornerstone Investors to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

(ii) the Offer Price having been agreed according to the Underwriting Agreements and Price Determination Agreement to be signed among the parties thereto in connection with the Global Offering;

(iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the Offer Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or under the respective Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investors under their respective Cornerstone Investment Agreements are accurate and true in all material respects and not misleading and that there is no material breach of the respective Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to their respective Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be procured to be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered capital of our Company was RMB99,891,387 comprising 99,891,387 A Shares of nominal value RMB1.00 each, which are fully listed on the SSE STAR Market.

Description of Share	Number of Shares	Approximate % of issued share capital (%)
A Shares	99,891,387	100.00

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised, the share capital of our Company would be as follows:

Description of Shares	Number of Shares	Approximate % of issued share capital (%)
A Shares	99,891,387	85.00
H Shares to be issued pursuant to the Global Offering	17,628,000	15.00
Total	117,519,387	100.00

Immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised, the share capital of our Company would be as follows:

Description of Shares	Number of Shares	Approximate % of issued share capital (%)
A Shares	99,891,387	83.13
H Shares to be issued pursuant to the Global Offering	20,272,200	16.87
Total	120,163,587	100.00

SHARE CLASSES

The H Shares and A Shares in issue upon completion of the Global Offering will be ordinary Shares in our share capital. Pursuant to PRC laws and rules of the Shanghai Stock Exchange, our A Shares can be subscribed for and traded by PRC investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. In addition, Shanghai-Hong Kong Stock Connect, activated on November 17, 2014, and Shenzhen-Hong Kong Stock Connect, initiated on December 5, 2016, have established stock connect mechanisms between the PRC and Hong Kong. Pursuant to the announcement of the Stock Exchange, with effect from February 1, 2021, eligible securities listed on the SSE STAR Market have been included in the Shanghai-Hong Kong Stock Connect. Under Shanghai-Hong Kong Stock Connect, A shares listed on the SSE STAR Market that are eligible for Northbound trading by Hong Kong and overseas investors include all constituent stocks of the SSE 180 Index and the SSE 380 Index, and such A shares listed on the SSE STAR Market which have corresponding H shares listed on the Hong Kong Stock Exchange. The corresponding H shares of such company listed on the SSE STAR Market will be included in Southbound trading of Stock Connect when the Northbound arrangements take effect. Given the SSE STAR Market's special investor eligibility requirements, shares listed on the SSE STAR Market are only accessible via Northbound trading by institutional professional investors.

All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. H Shareholders will receive share dividends in the form of H Shares, and A Shareholders will receive share dividends in the form of A Shares.

In addition, A Shares and H Shares are regarded as different classes of Shares under our Articles of Association. The differences between the two classes of Shares, provisions on class rights, despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different branches of the register of Shareholders, the method of Share transfer and appointment of dividend receiving agents are set out in "Appendix V — Summary of the Articles of Association". Further, any change or abrogation of the rights of class Shareholders should be approved by way of a special resolution of the general meeting of Shareholders and by a separate meeting of Shareholders convened by the affected class of Shareholders. See "Appendix V — Summary of the Articles of Association" for the circumstances under which a general meeting of Shareholders and class meeting are required. However, the procedures for approval by separate class Shareholders shall not apply:

(i) where our Company issues, upon the approval by a special resolution of the general meeting of Shareholders, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued A Shares and H Shares;

(ii) where the plan of our Company to issue A Shares and H Shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council; or

(iii) where the transfer of the A Shares held by the A Shareholders to foreign investors for listing on overseas stock exchange is approved by the securities regulatory institution under the State Council.

A Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of Listing.

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different after the Global Offering.

APPROVAL FROM A SHAREHOLDERS REGARDING THE GLOBAL OFFERING

Approval from A Shareholders is required for our Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the Shareholders' general meeting of our Company held on December 16, 2021 and is subject to the following conditions:

(1) Size of the offer

The proposed number of H Shares to be offered shall not exceed 15% of the total issued share capital enlarged by the H Shares to be issued pursuant to the Global Offering (before the exercise of the Over-allotment Option). The number of H Shares to be issued pursuant to the full exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially under the Global Offering.

(2) Method of offering

The method of offering shall be by way of international offering to institutional investors and public offer for subscription in Hong Kong.

(3) Target investors

The H Shares shall be issued to qualified overseas investors, qualified domestic institutional investors in the PRC and other investors who comply with relevant regulatory requirements.

(4) Price determination basis

The issue price of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders of our Company, acceptance of investors and the risks related to the offering, according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions, by reference to the valuation level of comparable companies in domestic and overseas markets and in consultations with the Underwriters.

(5) Validity period

The issue of H Shares and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the Shareholders' meeting was held on December 16, 2021.

There is no other approved offering plan for our Shares except the Global Offering.

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. The consolidated financial information included in the Accountants' Report has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including but not limited to the sections headed "Business", "Risk Factors" and "Forward-Looking Statements" in this prospectus.

OVERVIEW

We are a leading provider of fuel cell systems in China, focusing on the design, development and manufacture of fuel cell systems and stacks (a key component of the system) for commercial vehicles, such as buses and trucks. According to the CIC Report, we ranked first in the PRC fuel cell system market in terms of the total power output of fuel cell systems sold(1) in 2021, with a market share of 27.8%. As of June 30, 2022, our fuel cell systems were installed on 80 models of fuel cell vehicles that are featured in the MIIT New Energy Vehicle Catalogs, ranking us first in the industry.

Established in 2012, we are a pioneer in the R&D and commercialization of fuel cell systems in China and started batch production in 2016. According to the CIC Report, we are one of the first companies in China that commercialized fuel cell systems and stacks with proprietary intellectual property rights. We participated in various national-level fuel cell R&D projects in China, notably for codeveloping the early prototype of fuel cell buses. We also participated in the fuel cell vehicle development and commercialization scheme of the United Nations Development Programme in China and witnessed the progress of the PRC fuel cell vehicle industry from the R&D phase to pilot testing and to commercialization.

We offer and sell various models of fuel cell systems with different power outputs. We have gradually developed and launched the 30kW, 40kW, 50kW, 60kW, 80kW, 100kW, 120kW and 150kW models over the years. We maintained our first-mover advantages and recently launched our first 240kW model in December 2021, the first automotive fuel cell system in China that can reach a rated power of 240kW, according to the CIC Report. With the introduction of this new high power output model, our products cover a wide spectrum from 30kW to 240kW, enabling us to meet various customer demands and multiple application scenarios. Since the launch of our first commercialized product in 2016, we have

(1) Sales volume of fuel cell systems comprises only direct sales to fuel cell vehicle manufacturers.

sold an aggregate of over 2,900 units to over 20 commercial vehicle manufacturers in China. Our fuel cell systems are installed on commercial vehicles operating across PRC cities, including Beijing, Zhangjiakou, Shanghai, Chengdu, Zhengzhou and Zibo.

As of the Latest Practicable Date, our fuel cell systems were powering over 2,800 fuel cell vehicles on the road in China. These vehicles had an average mileage of around 40,000 kilometers per vehicle, accumulating over 108.6 million kilometers and 2.3 million hours of operations, which built an industry leading record. We believe that extensive vehicle operating records can help us improve our products in terms of adverse weather capabilities, durability, reliability, efficiency, safety and economy, which in turn further enhance our leading position in the industry.

Our products are mainly used by commercial vehicles such as city buses, intercity buses and logistics vehicles. We established solid long-term partnerships with commercial vehicle manufacturers in China such as Beiqi Foton, Yutong Bus and Geely Commercial Vehicles. We also participate in international collaborations and codeveloped with Toyota and Beiqi Foton transit buses using our fuel cell systems which are designated as the official transport vehicles at the Beijing 2022 Olympic Winter Games.

In 2019, 2020, 2021 and the six months ended June 30, 2022, our total revenue was RMB553.6 million, RMB572.3 million, RMB629.4 million and RMB269.1 million, respectively. We had a net profit of RMB45.9 million in 2019 while incurred a net loss of RMB9.8 million, RMB185.4 million and RMB81.6 million in 2020, 2021 and the six months ended June 30, 2022, respectively.

BASIS OF PREPARATION

Our consolidated financial statements for the Track Record Period have been prepared in accordance with IFRSs and were audited by Moore Stephens CPA Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our consolidated financial statements have been prepared on the historical cost basis except that certain assets are measured at fair value, as explained in the accounting policies set out in the Accountants' Report in Appendix I to this prospectus. The financial information is presented in Renminbi which is the reporting currency of our Company and subsidiaries established in China.

We have adopted all applicable new and revised IFRSs that are effective during the Track Record Period, including IFRS 16 "Leases", consistently throughout the Track Record Period. We have not adopted any other new and amendments to IFRSs that have been issued but are not yet effective as of the date of this prospectus.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

PRC Government's Policies Supporting the Fuel Cell Vehicle Industry

We are primarily engaged in the design, development and manufacture of fuel cell systems, including fuel cell stacks, a key component of the system, mainly for the commercial vehicle market, such as buses and trucks. Since most of our revenue was generated from the sale of fuel cell systems, which depends on the market demands for fuel cell vehicles, we are highly dependent on the favorable government policies supporting this industry.

In recent years, the PRC government and industry associations have been implementing favorable policies and development plans to encourage the development of fuel cell vehicles, for example, the promotion of pilot adoption of fuel cell vehicles and granting of subsidies and incentives to market participants. See "Regulatory Overview — Government Policies Relating to Fuel Cells".

We believe these favorable policies and development plans will continue to contribute to the development of fuel cell vehicle industry and in particular, the growth of our sales of fuel cell systems and our revenue and profits. However, as the regulatory framework and government policies in China for fuel cell vehicles are relatively new and still evolving, these government policies are subject to restrictions and uncertainties beyond our control and the PRC government may also continuously adjust and change these policies. Any reduction or cancelation of the favorable government policies such as subsidies and economic incentives due to policy changes or otherwise, or any government guidance that reduces the demand for fuel cell vehicles could weaken the competitiveness of the fuel cell system market generally, in which event there may be a material and adverse effect on our business, financial condition and results of operations.

Research and Development and Product Upgrades

The market for our products is characterized by continuing technological development, evolving industry or national standards, increasing number of product types, changing customer needs, frequent new product introductions and enhancements, and product commercialization. The introduction of products by our competitors embodying new technologies, the introduction and adoption of new product types by our competitors, the emergence of new industry or national standards, changes in customer requirements or changes in government policies and regulations could render our existing products obsolete, unmarketable, or less competitive. Our success depends upon our ability to enhance our existing product offerings, to respond to changing customer requirements, technological and competitive developments, and emerging industry standards, and to conduct research and development, and to introduce new products in a timely manner.

We prioritize our R&D efforts that we believe have the greatest potential and have increasingly focused our R&D efforts on the core technologies of the fuel cell systems. In 2019, 2020, 2021 and the six months ended June 30, 2022, we incurred research and development expenses of RMB83.9 million, RMB74.7 million, RMB92.8 million and RMB60.3 million respectively, accounting for 15.2%, 13.0%, 14.7% and 22.4% of our total revenue during the respective periods. In 2019, 2020, 2021 and the six months ended June 30, 2022, our addition of development costs capitalized under intangible assets was RMB50.2 million, RMB51.4 million, RMB72.1 million and RMB17.9 million, respectively. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying values of our intangible assets were RMB73.1 million, RMB136.8 million, RMB205.1 million and RMB212.1 million, respectively.

As of June 30, 2022, we had 270 research and development staff. However, despite our efforts, we cannot guarantee that we will not experience delays in releasing new products or enhance our products. Even we are able to develop new products, and product enhancements, we cannot assure that they will achieve market acceptance as we had in the past.

As of the Latest Practicable Date, we are in the process of upgrading our existing product models and developing new products. We also seek to continue to optimize the performance of our existing products through our R&D efforts. As the market evolves, the specifications of our products also require consistent enhancement. Our ability to design and develop new products that meet these changing requirements has been and will continue to be critical to our ability to survive in the market. Therefore, we expect to continue to make significant investments in R&D, particularly with respect to designing and developing more technologically advanced and cost-competitive fuel cell systems. A significant amount of development costs and/or a significant amount of impairment losses charged on our intangible assets could materially and adversely affect our results of operations.

Competition and Pricing

We face competition in the fuel cell system market in China primarily from other competitors. We believe factors that are critical to our competitiveness in this market include strong R&D capabilities, breadth and quality of our product offerings, strong relationship with our customers, marketing and distribution channels, competitive pricing, brand recognition, and after-sales services. We believe that we have enjoyed certain competitive advantages as a result of our strong R&D capabilities, breadth and quality of our product offerings at competitive prices, strong relationships with our customers, extensive sales, marketing and services network and a high level of brand recognition, among other factors. However, increased competition or our inability to sustain our competitive advantages could adversely affect our results of operations.

Our pricing directly affects our revenue, gross profit margin and results of operations. We consider various factors, such as costs and market conditions, when pricing our products. We experienced downward pressure on our gross profit margin during the Track Record Period due to a combination of factors, including market competition and the decrease in our average selling prices per kW outpaced the decrease in average cost of sales per kW.

If we have to reduce our product prices to remain competitive but fail to offset such reductions by reducing our costs and increasing our sales volume, our profitability may be materially and adversely affected.

The following table sets forth the details of our sales revenue, sales volume, sales power output in terms of kW, and average selling prices per kW of our fuel cell systems during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Sales revenue (RMB'000)	481,085	499,882	518,051	254,697
Sales volume (unit)	498	494	543	519
Sales power output (kW)	23,810	35,600	58,580	51,140
Average selling price per kW (RMB)	20,205	14,042	8,843	4,980

We believe the significant decrease in our average selling price per kW from 2019 to the six months ended June 30, 2022 was mainly attributable to (i) the increasing number of market participants leading to increased competition alongside the rapid market development, in particular, the total number of market participants in fuel cell system market increased from approximately 62 in 2016 to over 140 in 2021 at a CAGR of 17.7%, according to the CIC Report; (ii) the decrease in our production costs as a result of the increase in the scale of our production over the years and our shift to focus on more localized procurement; and (iii) higher power density due to the improvement of our technologies. As confirmed in the CIC Report, the decreasing trend of the average selling price was in line with the overall industry trend and in favor of the promotion of fuel cell vehicles.

The following table hypothesizes the impact of increase or decrease in the average selling price per kW of our fuel cell systems on our profit or loss before taxation, while all other factors remain unchanged:

As a result of	Hypothetical increase/ (decrease) in profit before taxation for 2019	Hypothetical increase/ (decrease) in loss before taxation for 2020	Hypothetical increase/ (decrease) in loss before taxation for 2021	Hypothetical increase/ (decrease) in loss before taxation for the six months ended June 30, 2022
Hypothetical increase/ (decrease) of 5%	24,054/(24,054)	(24,994)/24,994	(25,903)/25,903	(12,735)/12,735
Hypothetical increase/ (decrease) of 10%	48,109/(48,109)	(49,988)/49,988	(51,805)/51,805	(25,470)/25,470
Hypothetical increase/ (decrease) of 15%	72,163/(72,163)	(74,982)/74,982	(77,708)/77,708	(38,205)/38,205

The following table sets forth the average selling price per kW in relation to the sale of fuel cell systems equipped with fuel cell stacks produced by third-party suppliers and our Group during the Track Record Period.

	Average selling price per kW			
	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
		(RMB)		
Third-party suppliers[(1)]	20,945	12,818	10,716	5,638
Our Group (Shanghai SinoFuelCell)	20,186	15,005	6,239	4,952
Overall	20,205	14,042	8,843	4,980

(1) During the Track Record Period, our third-party fuel cell stacks suppliers were Toyota, Toyota Sinohytec and Hydrogenics Corporation, a Canadian renewable energy company and an Independent Third Party. During the Track Record Period, our aggregate sales volume of fuel cell system which carried fuel cell stacks from Toyota, Toyota Sinohytec and Hydrogenics Corporation were 411 units, 93 units and 10 units, respectively. The Group did not sell any fuel cell systems that carried fuel cell stacks procured from Toyota Sinohytec in 2019 and 2020; and did not sell any fuel cell systems that carried fuel cell stacks from Hydrogenics Corporation after 2019.

The average selling price per kW for the fuel cell systems that carried fuel cell stacks from the third party suppliers decreased from RMB20,945 in 2019 to RMB12,818 in 2020 and further decreased to RMB10,716 in 2021 and RMB5,638 in the six months ended June 30, 2022. Such decrease was generally in line with the industry trend, according to the CIC report. In particular, the decrease in average selling price per kW in 2021 was partially offset by the sales of fuel cell systems that carried fuel cell stacks from Toyota in relation to the Beijing 2022 Olympic Winter Games, of which the average selling prices were comparable to those in 2020. The decrease in average selling price per kW in the six months ended June 30, 2022 was mainly because the average selling price per kW of fuel cell systems equipped with fuel cell stacks from Toyota Sinohytec decreased from RMB7,965 in 2021 to RMB5,638 in the six months ended June 30, 2022. The fuel cell systems equipped with stacks from Toyota Sinohytec were of a new model launched in 2021, which enjoyed a higher price premium because newly introduced models are normally more technologically advanced compared to older models.

The average selling price per kW for the fuel cell systems that carried fuel cell stacks from Shanghai SinoFuelCell decreased from RMB20,186 in 2019 to RMB15,005 in 2020 and further decreased to RMB6,239 in 2021 and RMB4,952 in the six months ended June 30, 2022. Such decrease was also generally in line with the industry trend, according to the CIC report.

Cost of Raw Materials

The cost of our raw materials, mainly comprising fuel cell stacks, air compressors, hydrogen storage systems and DC-to-DC converters, represents the largest portion of our cost of sales. The cost of these key raw materials accounted for 58.5%, 71.3%, 69.2% and 62.0% of our total cost of sales during 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In the same periods, cost of raw materials accounted for 90.5%, 92.1%, 87.7% and 76.5% of our total cost of sales, respectively. We are subject to the risks of fluctuations in the price of these materials. Changes in the availability and price of raw materials could have a significant impact on our operating costs and results of operations.

Our average raw material cost per kW of our fuel cell systems was approximately RMB9,600, RMB7,300, RMB5,000 and RMB2,400 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. According to the CIC Report, the decrease of the average raw material cost was due to (i) the decrease in production costs and the improved localization of raw materials, (ii) the improvement of technologies, and (iii) the increasing number of suppliers in the market. As a result, the average cost of sales per kW of fuel cell systems gradually decreased. According to the same report, the average cost per kW of fuel cell systems in China decreased from RMB15,000 in 2017 to RMB4,400 in 2021, representing a CAGR of negative 26.2% from 2017 to 2021.

The following table sets forth our cost of raw materials, sales volume, sales power output in terms of kW and average raw materials cost per kW of our fuel cell systems during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Cost of raw materials (RMB'000)	229,685	261,322	292,701	121,133
Sales volume (unit)	498	494	543	519
Sales power output (kW)	23,810	35,600	58,580	51,140
Average raw material cost per kW (RMB)	9,647	7,341	4,997	2,369

For illustration purpose, we set out below a sensitivity analysis of our profit or loss before taxation with reference to the fluctuation on the total cost of raw materials during the Track Record Period. The following table hypothesizes the impact of increase or decrease in the total cost of raw materials on our profit or loss before taxation, while all other factors remain unchanged:

As a result of	Hypothetical increase/ (decrease) in profit before taxation for 2019	Hypothetical increase/ (decrease) in loss before taxation for 2020	Hypothetical increase/ (decrease) in loss before taxation for 2021	Hypothetical increase/ (decrease) in loss before taxation for the six months ended June 30, 2022
Hypothetical increase/ (decrease) of 5%	(13,909)/13,909	14,951/(14,951)	17,261/(17,261)	6,294/(6,294)
Hypothetical increase/ (decrease) of 10%	(27,818)/27,818	29,902/(29,902)	34,521/(34,521)	12,588/(12,588)
Hypothetical increase/ (decrease) of 15%	(41,727)/41,727	44,853/(44,853)	51,782/(51,782)	18,882/(18,882)

Ability to Collect Trade Receivables, Manage Trade Receivable Turnover Days and Collection and Payment Cycle

Our business operations are subject to the risk of late payment by our customers. We typically grant our customers a credit term within 90 days. However, we may not be able to receive payment from our customers on time. Historically, the average turnover days of our trade receivables were around one to two years. As of December 31, 2019, 2020 and 2021 and June 30, 2022, our trade receivables (net of impairment) accounted for 52.3%, 36.4%, 31.1% and 32.9% of our current assets as of the same dates, respectively. In the past, we recorded a large amount of trade receivables from some of our major customers which usually have stronger bargaining power. According to the CIC Report, according to the government subsidy policy for new energy vehicle industry in China, these vehicle manufacturers usually sell to, and collect from, their customers at a price after deducting the applicable subsidy at sale before they have received the government subsidy. Vehicle manufacturers could collect the relevant subsidy from the government, which usually takes a relatively long period. Affected by such time gap, our downstream vehicle manufacturers may encounter working capital constraints, and some of them may even face operation pressure due to continuous losses, ultimately affecting the settlement of our trade receivables. In 2019, 2020 and 2021, our net impairment losses for trade and bills receivables were RMB58.1 million, RMB92.2 million and RMB164.7 million, respectively. Our Group recorded reversal of impairment loss on trade and bills receivables of RMB5.3 million for the six months ended June 30, 2022. Although we perform on-going credit evaluation of financial conditions on our customers, we cannot assure you that our customers will pay us in a timely manner pursuant to the payment schedules listed in our agreements or at all in the future.

In addition, there is a timing difference between our collection and payment cycle, such difference in settlement in general puts pressure on our operating cash flows. We mainly deliver our products in the second half of the year. In 2019, 2020 and 2021, our revenue for the second half of the year accounted for the majority of our total revenue in the same year, while payment for such sales is normally not received until next year. On the other hand, given the relatively long lead time to secure our supply of certain raw materials from certain suppliers, we normally purchase certain core components in advance, for which our payment is made shortly after the order. In 2019, 2020, 2021 and the six months ended June 30, 2022, we recorded net cash outflow from operating activities of RMB179.2 million, RMB203.0 million, RMB92.4 million and RMB20.1 million and we primarily relied on cash flows from financing activities, such as bank borrowings and issue of new shares, to fulfill our working capital needs.

We have taken the following measures to narrow the gap of turnover days of trade receivables and trade payables, and address the credit risk arising from our trade receivables. We have implemented our sales and collection policy, which detailed our cash flow and liquidity management policy with specific measures to timely collect our payments from customers. In particular, our finance department has regularly monitored our Group's bank accounts and compiled trade receivables data on a monthly basis, and has worked in tandem with our sales department to inspect and ascertain with our customers accordingly. Our sales department has continued to closely communicate with and remind our customers of any outstanding payments and our legal department has also been regularly informed of such customers' obligations and would be prepared to enforce our Group's contractual rights when necessary. Our sales department has undergone due diligence on our existing and potential new customers' credit standing, including compiling information profiles on their business operations and financial integrity, and will pay particularly close attention to those which are of concern as well as implement additional measures such as requesting for prepayment if needed. On the other hand, we have regularly provided favorable payment terms as incentives for customers such as providing a discount of typically 1.5% for payment in cash instead of bills where some of our customers have opted for payment in cash eventually. Our trade receivable turnover days have been slightly decreased from 467 in 2020 to 453 in 2021 due to our increasing effort to collect outstanding receivables and resolve overdue issues in a timely manner. We have also utilized short-term bank borrowings when necessary to ensure sufficient cash flow. We expect to shorten the lead time to secure raw materials by procuring from local suppliers, instead of from overseas suppliers. During the Track Record Period, we have shortened the lead time of certain key raw materials such as fuel cell stacks and MEA by sourcing from local suppliers instead of overseas suppliers.

We believe such gap is expected to be continued, based on the turnover days of the account receivables and account payables during the Track Record Period. However, we may be able to narrow the gap if as the industry matures, our suppliers are able to shorten their delivery time in providing raw materials and if the provision of government subsidies is timely and steady, and our customers are able to expedite their payments to us. Our customers and end customers of which still expect to receive government subsidies from the sales or the purchase of fuel cell vehicles. In addition, we expect to keep current gap under control through our ongoing proper and effective measures in strengthening the management of our collection and payment cycle, maintaining a healthy operating cash flow, communicating with our new and existing customers to obtain more favorable terms. As we continue to grow, we also intend to communicate with our customers to obtain more favorable terms and look for suppliers with longer payment terms.

Seasonality

According to the CIC Report, the production and sales of fuel cell vehicles in China are seasonal, and our business is also affected by such seasonality. In particular, we generally deliver our products to our customers in the second half of a year.

During the Track Record Period, the PRC government usually reviews or updates the subsidy policy for fuel cell vehicles at the beginning of a year. Therefore, vehicle manufacturers usually select product models after the review of subsidy policies to ensure the selected fuel cell vehicles could meet the conditions for receiving the subsidies. Our order confirmation and production arrangements are in line with this practice.

In addition, since the fuel cell vehicle industry is still in the early stage of commercialization, its supply chain is not as well-developed and automated as that of the internal combustion engine industry or electric vehicle industries. After we commenced the production in the second half of the year, the final product completion and delivery will usually be in the fourth quarter. Therefore, we usually record most of our revenue in the second half of a year (especially the fourth quarter). In 2019, 2020 and 2021, our revenue for the second half of the year accounted for a majority of our total revenue in the same year. Given China's fuel cell vehicle industry is still developing and will continue to be affected by government subsidies and the annual periodicity of automobile production in the foreseeable future, we expect that the seasonality of product production, sales and revenue recognition will continue. Since August 2021, the PRC government has approved five fuel cell vehicle demonstration city clusters, led by Beijing, Shanghai, Guangdong, Zhengzhou and Zhangjiakou, with four years of demonstration period. We expect the development of these approved fuel cell vehicle demonstration city clusters in China could help reduce the seasonality of the PRC fuel cell vehicle industry and its impact on us.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information.

Revenue Recognition

(a) Revenue from contracts with customers

We sell our fuel cell systems and fuel cell components directly to customers in accordance with the contracts entered with them. Revenue is recognized when control of the products has been transferred to the customer, being the point the goods are delivered to the customer. Delivery occurs when the products have been accepted by the customer. The normal credit term is within 90 days effective from the date when the goods are accepted by the customers. When the customer pays in advance for the orders, the transaction price received by us is recognized as a contract liability until the goods have been delivered to the customer.

(b) Revenue from technology development services

We recognize revenue from the services rendered for development of fuel cell systems-related projects and testing of fuel cell systems at a point in time when the relevant services are completed and acknowledged for receipt by the customers.

(c) Others

We recognize revenue from the sales of our products to the customers when control of the products has been transferred to our customers, being at the point the goods are delivered to our customers.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

	Estimated Useful Lives
Buildings	20–30 years
Machine equipment	5–10 years
Motor vehicles	5 years
Other equipment	5 years
Leasehold improvements	2–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the reporting period(s).

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the reporting period(s) the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, machinery and equipment under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives as follows:

Software	3–10 years
Patent	10 years

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset.

There is no explicit period of the contractual or legal rights for the usage of the software acquired by our Group, while the patents registered by our Group have legal expiration periods ranging from 10 to 20 years. Our Company expects to use the software and patents for a period ranging from 3 to 10 years and 10 years, respectively, based on the best estimate of the management to reflect the pattern in which the software and patent's future economic benefits are expected to be consumed by our Group.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

— the technical feasibility of completing the intangible asset so that it will be available for use or sale;

— the intention to complete the intangible asset and use or sell it;

— the ability to use or sell the intangible asset;

— how the intangible asset will generate probable future economic benefits;

— the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

— the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Fair Value of Equity Investments at Fair Value through Other Comprehensive Income

We made investments in one unlisted company (i.e. Hozonauto Co. Ltd* (合衆新能源汽車有限公司) as set out in note 23(a) to the Accountants' Report in Appendix I. We classified this unlisted equity investments as equity investments at fair value through other comprehensive income (of which no quoted prices in an active market exist).

The fair value of investment in Hozonauto Co. Ltd has been estimated using the market approach, where the value of an asset was appraised with reference to market prices of similar assets. The market approach considered prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. relative to the market comparative. In particular, the valuation was prepared under the "The Guideline Public Company Method", where the valuation multiples derived from the market prices and financial data of listed companies in a similar business was used to appraise the investee company. Furthermore, as the investee company required heavy investment in fixed assets, its book value was a reflective of its market value and the price-to-book (P/B) multiples of comparable companies and the P/B multiple of the investee company were used in the preparation of this valuation. Moreover, the fair value of the investee company was derived after applying certain discount given it is a private company and its shares lack of marketability (i.e. the relevant equity interest were non-trading and non-marketable equity interest).

When valuing equity investments at fair value through other comprehensive income, our Directors (i) reviewed the investment terms; (ii) carefully considered all information such as the market price of companies comparable to the investee company and illiquidity and size differences between the comparable companies based on company-specific fact and circumstance, which require management assessments and estimates; and (iii) reviewed the valuation working papers and results prepared by an independent business valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the consolidated financial statements of our Company are properly prepared.

The details on the fair value measurement of the equity investments at fair value through other comprehensive income, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in note 23(a) and 39(d) to the Accountants' Report in Appendix I to this prospectus. The Reporting Accountants have performed their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole and its opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on pages I-1 to I-3 of Appendix I to this prospectus.

In relation to the valuation of the level 3 financial assets at FVOCI, the Joint Sponsors has conducted relevant due diligence work, including (1) the review of relevant notes in the Accountant's Report in Appendix I to this prospectus, (2) evaluation on the competence, capacities and objectivity of the independent business valuer; (3) the review of the valuation working papers and results prepared by an independent business valuer, and (4) the discussion with the Reporting Accountant in respect of the audit work and procedures they have conducted in this regard. Having considered the work done by the Directors and Reporting Accountant and the relevant due diligence work conducted as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to have reasonable doubt on the valuation analysis performed by the independent business valuer.

Significant Accounting Estimates

Control over Shanghai SinoFuelCell

The Company had 31.88%, 32.03%, 25.60% and 25.60% equity interest in Shanghai SinoFuelCell as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. According to a contractual agreement dated March 19, 2019 entered into between the Company and Shanghai Shenjie, owner of 15.57%, 13.52%, 10.81% and 10.81% equity interest in Shanghai SinoFuelCell as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, Shanghai Shenjie agreed to unconditionally and irrevocably entrust the Company to exercise the voting rights corresponding to the equity held by Shanghai Shenjie for a period of not less than five years from March 19, 2019. Subsequently, the Company entered into a supplemental agreement with Shanghai Shenjie on March 30, 2022, which provides, among others, that (i) the terms of the Entrustment Agreement shall continue until both parties agree to terminate the Entrustment Agreement for a period of not less than 8 years (until March 18, 2027); and (ii) as of the date of the supplemental agreement, the parties had no intention to terminate the Entrustment Agreement after the expiration of the 8-year period.

As a result, the Company is able to exercise 47.45%, 45.55%, 36.41% and 36.41% voting rights corresponding to the equity held by the Company and Shanghai Shenjie as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. 15.65%, 13.60%, 10.87% and 10.87% of the equity interest in Shanghai SinoFuelCell are owned by Shuimu Sail Venture and Shuimu Yuanjing, limited partnerships, both of which are shareholders of the Company and are controlled by Mr. Wu Yong, a non-executive director of the Company, as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The remaining 36.90%, 40.85%, 52.72% and 52.72% of equity interest in Shanghai SinoFuelCell are owned by 10, 12, 19 and 19 shareholders that are unrelated to the Company on these respective dates.

If we fail to maintain control over Shanghai SinoFuelCell, our financial condition may be adversely affected. See "Risk Factors — Risks Relating to Our Business — Our control over certain subsidiary may be reduced, which could adversely affect our business, results of operations and financial condition.".

Our Directors assessed whether the Company has control over Shanghai SinoFuelCell based on whether the Company has the practical ability to direct the relevant activities of Shanghai SinoFuelCell unilaterally. In addition, according to the Articles of Association of Shanghai SinoFuelCell, (i) the Company has the right to appoint three out of the five directors composing the board of directors (before capital increase in 2021) and four out of seven (after capital increase in 2021), which is responsible for making decisions of the relevant activities of Shanghai SinoFuelCell, and the chairman of the board of directors of Shanghai SinoFuelCell must be appointed by the Company, (ii) one out of the five directors (before capital increase in 2021) and one out of seven (after capital increase in 2021) composing the board of directors of Shanghai SinoFuelCell must be appointed by Shuimu Sail Venture during the Track Record Period, which is also a non-executive director of the Company, and (iii) any change to the composition of the board of directors requires the approval from shareholders who owns more than two-third of the aggregate equity interests in Shanghai SinoFuelCell. Furthermore, as of December 31, 2019, 2020 and 2021 and June 30, 2022, in addition to the above-mentioned contractual agreement with Shanghai Shenjie, two, three, four and four shareholders (including Shuimu Sail Venture and Shuimu Yuanjing) who had 15.65%, 15.05%, 14.64% and 14.64% equity interests in aggregate in Shanghai SinoFuelCell, respectively, undertake to the Company that commencing from the date of their respective capital injections: (a) they shall not seek to obtain control of the Company over Shanghai SinoFuelCell by any means; (b) they shall vote in favor of the shareholder resolutions proposed by the Company and the board of directors of Shanghai SinoFuelCell; and (c) the undertakings by these shareholders are irrevocable except agreed by the Company.

In addition, one shareholder who has 6.02% equity interests in aggregate in Shanghai SinoFuelCell undertake to the Company commencing from the date of the capital injections that: (i) the shareholder shall attend all shareholder's meeting proposed by the Company and the board of directors of Shanghai SinoFuelCell and shall not seek to obtain control of the Company over Shanghai SinoFuelCell by any means; and (ii) the undertakings by the shareholder is irrevocable except agreed by the Company.

Historically, all shareholder resolutions initiated by the Company and the board of directors of Shanghai SinoFuelCell were passed unanimously by the attendees during the Track Record Period.

Taking into account the abovementioned facts and circumstances, our Directors considered that we have the power to direct relevant activities of Shanghai SinoFuelCell during the Track Record Period and therefore have control over Shanghai SinoFuelCell. See "History, Development and Corporate Structure — Our Subsidiaries" and note 5.1 to the Accountants' Report as set out in the Appendix I to this prospectus.

Provision for expected credit losses on trade and bills receivables and contract assets

We use a provision matrix to calculate expected credit losses ("**ECLs**") for trade and bills receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade and bills receivables and contract assets is disclosed in notes 5.2 and 39(b) to the Accountants' Report as set out in the Appendix I to this prospectus.

Estimation of inventories under net realizable value

In accordance with our accounting policy, our management tests whether inventories suffered any impairment based on estimates of the net realizable value of the inventories. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable value of inventories. For inventories held for executed sales contracts, management estimates the net realizable value based on the contracted price. For raw materials and work-in-progress, management has established a model in estimating the net realizable value at which the inventories can be realized in the normal course of business after considering our manufacturing cycles, production capacity and forecasts, estimated future conversion costs and selling prices. Management also takes into account the price or cost fluctuations and other related matters occurring after the end of the reporting period which reflect conditions that existed at the end of the reporting period.

It is reasonably possible that if there is a significant change in circumstances including our business and the external environment, outcomes within the next financial year would be significantly affected. Further details are included in note 5.2 to the Accountants' Report as set out in the Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table presents our consolidated statement of profit or loss during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
Revenues	553,620	572,293	629,369	117,774	269,143
Cost of sales	(307,074)	(324,951)	(393,339)	(81,343)	(164,660)
Gross profit	246,546	247,342	236,030	36,431	104,483
Other income, gains and losses	93,370	53,473	19,596	19,322	(4,842)
Selling and distribution expenses	(48,471)	(38,833)	(62,278)	(17,360)	(33,395)
Administrative expenses	(89,933)	(91,203)	(126,657)	(46,529)	(80,423)
Research and development expenses	(83,902)	(74,671)	(92,773)	(35,431)	(60,264)
(Impairment losses)/reversal of impairment losses on financial assets	(60,384)	(95,846)	(176,963)	2,262	3,294
Finance costs	(9,695)	(8,951)	(5,852)	(2,910)	(3,419)
Share of results of associates	(4,749)	(10,833)	(1,748)	(3,007)	(3,241)
Share of results of a joint venture	—	—	(4,730)	—	(7,901)
Listing expenses	—	—	(10,939)	—	(9,660)
PROFIT/(LOSS) BEFORE TAXATION	42,782	(19,522)	(226,314)	(47,222)	(95,368)
Income tax credit	3,117	9,760	40,930	11,529	13,812
PROFIT/(LOSS) FOR THE YEAR/PERIOD	**45,899**	**(9,762)**	**(185,384)**	**(35,693)**	**(81,556)**
PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO:					
Owners of the Company	63,910	(366)	(146,369)	(17,455)	(59,782)
Non-controlling interests	(18,011)	(9,396)	(39,015)	(18,238)	(21,774)
	45,899	(9,762)	(185,384)	(35,693)	(81,556)

NON-IFRS MEASURES

As to supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net profit (non-IFRS measure) as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance. We also believe this non-IFRS measure provides additional information to investors and others in their understanding and evaluating our results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies. However, this non-IFRS measure does not have a standardized meaning prescribed by IFRSs and therefore, it may not be comparable to similar measures presented by other companies.

We define "adjusted net profit/(loss)" (non-IFRS measure) as profit/(loss) for the year/period adjusted by adding listing expenses, which are mainly related to professional fees rendered in relation to the Listing and the Global Offering. We define "adjusted EBITDA" (non-IFRS measure) as adjusted net profit/(loss) (non-IFRS measure) adding back interest income and expenses, income tax expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
Reconciliation of net profit/(loss) and adjusted net profit/(loss) and adjusted EBITDA					
Profit/(loss) for the year/period	45,899	(9,762)	(185,384)	(35,693)	(81,556)
Add:					
Listing expenses	—	—	10,939	—	9,660
Adjusted net profit/(loss) (Non-IFRS measure)	**45,899**	**(9,762)**	**(174,445)**	**(35,693)**	**(71,896)**
Add:					
Interest income and expenses	5,816	(3,119)	(15,453)	(7,126)	(8,360)
Income tax expense	(3,117)	(9,760)	(40,930)	(11,529)	(13,812)
Depreciation of property, plant and equipment	20,979	23,133	32,127	15,151	24,374
Depreciation of right of use assets	7,811	9,453	8,440	3,956	4,476
Amortization of intangible assets	1,538	3,412	8,024	3,070	12,126
Adjusted EBITDA (Non-IFRS measure)	**78,926**	**13,357**	**(182,237)**	**(32,171)**	**(53,092)**

Our adjusted net profit/(loss) (non-IFRS measure) decreased from profit of RMB45.9 million in 2019 to loss of RMB174.4 million in 2021, and from loss of RMB35.7 million for the six months ended June 30, 2021 to loss of RMB71.9 million for the six months ended June 30, 2022, while our adjusted EBITDA (non-IFRS measure) decreased from RMB78.9 million in 2019 to negative RMB182.2 million in 2021 and decreased from negative RMB32.2 million for the six months ended June 30, 2021 to negative RMB53.1 million for the six months ended June 30, 2022, which was consistent with the increased net loss in the Track Record Period due to the increased impairment loss recognized for our certain long-aged trade receivables, the increased write down of inventories associated with lower market demand of low output products in 2021 and our continuous expansion of our business scale during the Track Record Period.

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We generate revenue primarily from the (i) sales of fuel cell systems, (ii) sales of fuel cell components, and (iii) provision of technology development services. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our total revenue was RMB553.6 million, RMB572.3 million, RMB629.4 million, RMB117.8 million and RMB269.1 million, respectively. The following table sets out our revenue by business activity during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Sales of fuel cell systems	481,085	86.9	499,882	87.3	518,051	82.3	101,365	86.1	254,697	94.6
Sales of fuel cell components	43,042	7.8	26,111	4.6	52,827	8.4	5,591	4.7	3,659	1.4
Provision of technology development services	9,235	1.7	33,471	5.9	27,486	4.4	4,838	4.1	7,721	2.9
Others[1]	20,258	3.6	12,829	2.2	31,005	4.9	5,980	5.1	3,066	1.1
	553,620	**100.0**	**572,293**	**100.0**	**629,369**	**100.0**	**117,774**	**100.0**	**269,143**	**100.0**

(1) Others mainly represented sales of hydrogen and other testing equipment for fuel cell systems and fuel cell components. In certain occasions, we also assisted our customers to build their own fuel cell testing platforms and laboratories.

During the Track Record Period, our largest revenue contributor was the sales of fuel cell systems, accounting for 86.9%, 87.3%, 82.3% and 94.6% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

Sales of Fuel Cell Systems

During the Track Record Period, we sold eight models of fuel cell systems, namely the 30kW, 40kW, 50kW, 60kW, 80kW, 100kW, 120kW and 150kW models.

In 2019, majority of our sales were derived from the sales of the 40kW and 60kW models, representing 36.5% and 55.5% of our sales of fuel cell systems, respectively. During the same year, we recorded a total sales power output (in terms of kW) of 23,810kW, with an average selling price per kW of RMB20,205. We recorded a relatively high volume of sales for the 40kW and 60kW models given they were the latest products at the time. In 2019, our sales of the 40kW and 60kW models were mainly sold for the application on logistics vehicles and city buses.

In 2020, majority of our sales were derived from the sales of the 60kW and 80kW models, representing 21.0% and 72.4% of our sales of fuel cell systems, respectively. During the same year, we recorded a total sales power output (in terms of kW) of 35,600kW, with an average selling price per kW of RMB14,042. With increased demand from our customers for fuel cell systems caused by the surging application of fuel cell vehicles, and the increase in the maximum power output brought by technological improvement, we developed the 80kW model and sold to our customers in 2020. In 2020, our sales of the 60kW and 80kW models were mainly for the application of city buses and intercity buses.

In 2021, majority of our sales were derived from the sales of the 80kW and 150kW models, representing 30.7% and 44.3% of our sales of fuel cell systems. During the same year, we recorded a total sales power output (in terms of kW) of 58,580kW, with an average selling price per kW of RMB8,843. In 2021, our sales of the 80kW and 150kW models were mainly for the application of city buses and intercity buses.

For the six months ended June 30, 2022, majority of our sales were derived from the sales of the 80kW and 120kW models, representing 95.4% of our sales of fuel cell systems. During the same period, we recorded a total sales power output (in terms of kW) of 51,140kW, with an average selling price per kW of RMB4,980. For the six months ended June 30, 2022, our sales of the 80kW and 120kW models were mainly carried by logistics vehicles and trucks.

During the Track Record Period, there was a general decreasing trend in the average selling prices per kW of our fuel cell systems. We considered such trend to be in line with the market. According to the CIC Report, such decrease was due to (i) more intense market competition, (ii) an overall decrease in production cost, and (iii) improvement in fuel cell technologies.

Sales of Fuel Cell Components

We also sell fuel cell components, such as air compressors, hydrogen storage systems and DC-to-DC converters. We recorded RMB43.0 million, RMB26.1 million, RMB52.8 million, RMB5.6 million and RMB3.7 million, accounted for 7.8%, 4.6%, 8.4%, 4.7% and 1.4% of our revenue in 2019, 2020, 2021 and six months ended June 30, 2021 and 2022, respectively. Our sales of fuel cell components were largely based on the specific needs of customers, such as for their research projects or maintenance needs.

Provision of Technology Development Services

We provide technology development services such as fuel cell system structure design, calibration and related assessment services to universities and commercial vehicle manufacturers. We also provide technical services to a fuel cell component manufacturer. We recorded RMB9.2 million, RMB33.5 million, RMB27.5 million, RMB4.8 million and RMB7.7 million, accounted for 1.7%, 5.9%, 4.4%, 4.1% and 2.9% of our revenue in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

Cost of Sales

Our cost of sales represents our cost of production and primarily consists of raw material costs, staff costs, and overhead expenses:

- *Raw material costs:* Raw materials costs mainly include the costs of fuel cell stacks, air compressors, hydrogen storage systems and DC-to-DC converters.
- *Staff costs:* Staff costs primarily consist of the salaries and benefits of direct labor in our production.
- *Overhead expenses:* Overhead expenses represent depreciation of our production facilities and other fixed assets used in our production process, overhead expenses incurred and utilities used in our production process.

The following table sets forth a breakdown of our cost of sales by nature during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Raw Materials										
Fuel cell stacks	82,537	26.8	141,124	43.4	193,655	49.2	42,304	52.0	71,007	43.1
Air compressors	36,908	12.0	20,757	6.4	21,678	5.5	4,345	5.4	9,272	5.6
Hydrogen storage systems	35,218	11.5	47,291	14.6	39,290	10.0	9,883	12.1	11,029	6.7
DC-to-DC converters	25,360	8.2	22,369	6.9	17,618	4.5	3,157	3.9	10,829	6.6
Other raw materials[1]	98,154	32.0	67,480	20.8	72,972	18.5	14,731	18.1	23,765	14.5
	278,177	**90.5**	**299,021**	**92.1**	**345,213**	**87.7**	**74,420**	**91.5**	**125,902**	**76.5**
Others										
Staff costs	14,614	4.8	9,252	2.8	23,887	6.1	3,860	4.7	21,910	13.3
Overhead expenses	14,283	4.7	16,678	5.1	24,239	6.2	3,063	3.8	16,848	10.2
	307,074	**100.0**	**324,951**	**100.0**	**393,339**	**100.0**	**81,343**	**100.0**	**164,660**	**100.0**

(1) Other raw materials included battery packs, software and over 200 different miscellaneous parts, such as pipe valve, pipe fitting and screws.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our cost of sales was RMB307.1 million, RMB325.0 million, RMB393.3 million, RMB81.3 million and RMB164.7 million, respectively, accounting for 55.5%, 56.8%, 62.5%, 69.1% and 61.2% of our total revenue for the same periods, respectively.

In particular, our key raw materials are fuel cell stacks, air compressors, hydrogen storage systems and DC-to-DC converters, which in the aggregate accounted for 58.5%, 71.3%, 69.2%, 73.4% and 62.0% of our total cost of sales in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

The following table sets forth a breakdown of our cost of sales by business activity during the Track Record Period.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Sales of fuel cell systems	249,240	81.2	276,169	85.0	310,515	79.0	68,637	84.4	151,466	92.0
Sales of fuel cell components	39,870	13.0	22,793	7.0	38,690	9.8	4,470	5.5	2,713	1.6
Provision of technology development services	4,681	1.5	14,987	4.6	17,708	4.5	2,798	3.4	7,242	4.4
Others	13,283	4.3	11,002	3.4	26,426	6.7	5,438	6.7	3,239	2.0
	307,074	**100.0**	**324,951**	**100.0**	**393,339**	**100.0**	**81,343**	**100.0**	**164,660**	**100.0**

During the Track Record Period, the increase in our cost of sales was generally in line with the increase in our sales volume of fuel cell systems and sales power output (in terms of kW) over the period.

Our average cost of sales per kW for our fuel cell systems was approximately RMB10,500, RMB7,800, RMB5,300, RMB8,200 and RMB3,000 in 2019, 2020, 2021, the six months ended June 30, 2021 and 2022, respectively. This overall decreasing trend was mainly due to a decrease in production cost and improvement in technologies. Such decrease in production cost was primarily due to the cost reduction measures we took such as sourcing raw materials from domestic suppliers and improving utilization of raw materials via R&D efforts.

The following table sets forth the average cost per kW in relation to the sale of fuel cell systems equipped with fuel cell stacks produced by third-party suppliers and our Group during the Track Record Period.

	Average cost per kW			
	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(RMB)			
Third-party suppliers[1]	16,832	8,382	6,880	3,577
Our Group (Shanghai SinoFuelCell)	10,303	7,266	3,104	2,935

(1) During the Track Record Period, our third-party fuel cell stacks suppliers were Toyota, Toyota Sinohytec and Hydrogenics Corporation, a Canadian renewable energy company and an Independent Third Party. During the Track Record Period, our aggregate sales volume of fuel cell system which carried fuel cell stacks from Toyota, Toyota Sinohytec and Hydrogenics Corporation were 411 units, 93 units and 10 units, respectively. The Group did not sell any fuel cell systems that carried fuel cell stacks procured from Toyota Sinohytec in 2019 and 2020; and did not sell any fuel cell systems that carried fuel cell stacks from Hydrogenics Corporation after 2019.

The average cost per kW for the fuel cell systems that carried fuel cell stacks from the third-party suppliers decreased from RMB16,832 in 2019 to RMB8,382 in 2020 and further decreased to RMB6,880 in 2021 and RMB3,577 in the six months ended June 30, 2022. The decrease was attributable to (i) the synergy effect resulting from our investment in Toyota Sinohytec; and (ii) the general industry decreasing trend of raw material costs, according to the CIC report.

The average cost per kW for the fuel cell systems that carried fuel cell stacks from Shanghai SinoFuel Cell decreased from RMB10,303 in 2019 to RMB7,266 in 2020 and to RMB3,104 in 2021 and RMB2,935 in the six months ended June 30, 2022. The decrease was primarily due to (i) the decrease in production costs and the improved localization of raw materials, (ii) the improvement of technologies, and (iii) the increasing number of suppliers in the market.

On the bases of (i) the views and representations provided by our Directors; (ii) the opinion of the Reporting Accountants that the Accountants' Report in Appendix I hereto gives a true and fair view of the financial position and performance of our Group; and (iii) the Joint Sponsors' due diligence works, the Joint Sponsors are not aware of any material irregularities in relation to the genuineness of our sales to customers during the Track Record Period.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business activities during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Sales of fuel cell systems that equipped with fuel cell stacks provided by:	231,845	48.2	223,713	44.8	207,536	40.1	32,728	32.3	103,231	40.5
— Third-party suppliers[2]	2,468	19.6	69,560	34.6	130,750	35.8	32,079	32.6	4,330	36.6
— Our Group (Shanghai SinoFuelCell)	229,377	49.0	154,153	51.6	76,786	50.3	649	21.3[3]	98,901	40.7
Sales of fuel cell components	3,172	7.4	3,318	12.7	14,137	26.8	1,121	20.1	946	25.9
Provision of technology development services	4,554	49.3	18,484	55.2	9,778	35.6	2,040	42.2	479	6.2
Others	6,975	34.4	1,827	14.2	4,579	14.8	542	9.1	(173)[1]	(5.6)[1]
	246,546	44.5	**247,342**	43.2	**236,030**	37.5	**36,431**	30.9	**104,483**	38.8

(1) Such gross loss of RMB173,000 and negative gross profit margin of 5.6% for the six months ended June 30, 2022 was mainly caused by the significant decrease in the gross profit margin of our sales of hydrogen, because the sales of hydrogen decreased and the revenue generated was less than the fixed costs.

(2) During the Track Record Period, our third-party fuel cell stacks suppliers were Toyota, Toyota Sinohytec and Hydrogenics Corporation, a Canadian renewable energy company and an Independent Third Party. During the Track Record Period, our aggregate sales volume of fuel cell system which carried fuel cell stacks from Toyota, Toyota Sinohytec and Hydrogenics Corporation were 411 units, 93 units and 10 units, respectively. The Group did not sell any fuel cell systems that carried fuel cell stacks procured from Toyota Sinohytec in 2019 and 2020; and did not sell any fuel cell systems that carried fuel cell stacks from Hydrogenics Corporation after 2019.

(3) Such relatively lower gross profit margin of the sales of fuel cell systems equipped with fuel cell stacks manufactured by our Group for the six months ended June 30, 2021 was mainly due to the fact that those three units of fuel cell stacks manufactured by our Group are prototypes.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our gross profit was RMB246.5 million, RMB247.3 million, RMB236.0 million, RMB36.4 million and RMB104.5 million, respectively, and our overall gross profit margin remained relatively stable in 2019 and 2020 at 44.5% and 43.2%, respectively. From 2020 to 2021, the overall gross profit margin decreased from 43.2% to 37.5%, mainly due to the decreased margin of our sales of fuel cell systems. The overall gross profit margin increased significantly from 30.9% in the six months ended June 30, 2021 to 38.8% in the same period of 2022, primarily due to the significant increase in the revenue generated from the sale of fuel cell systems, the gross profit margin of which increased from 32.3% to 40.5% primarily because the average cost of sales per kW decreased as a result of the increased production scales and the increased sales volume of systems that carried fuel cell stacks from our Group. During the Track Record Period, given (i) the intensifying market competition and the decrease in our average selling price per kW from RMB20,205 in 2019 to RMB4,980 in the six months ended June 30, 2022, outpacing the decrease in our average cost of sales per kW from RMB10,500 in 2019 to RMB3,000 in the six months ended June 30, 2022, and (ii) our increased sales volume of systems that carried fuel cell stacks procured from third-party suppliers from 2.8% of our total sales volume in 2019 to 4.0% in the six months ended June 30, 2022, which had relatively higher costs compared to those manufactured in-house and we procured fuel cell stacks from third-party suppliers only at our customers' requests, the gross profit margin of our sales of fuel cell systems decreased from 48.2% in 2019 to 40.5% in the six months ended June 30, 2022.

The following table sets forth the sales volume, sales amount, gross profit and gross profit margin in relation to the sales of fuel cell systems equipped with fuel cell stacks procured from third-party suppliers and manufactured by our Group during the Track Record Period:

	Year ended December 31,											
	2019				2020				2021			
	Sales volume	Sales amount	Gross profit	Margin	Sales volume	Sales amount	Gross profit	Margin	Sales volume	Sales amount	Gross profit	Margin
	(Unit)	*(RMB'000)*	*(RMB'000)*	*(%)*	*(Unit)*	*(RMB'000)*	*(RMB'000)*	*(%)*	*(Unit)*	*(RMB'000)*	*(RMB'000)*	*(%)*
Third-party suppliers[1]	14	12,567	2,468	19.6	196	200,991	69,560	34.6	283	365,206	130,750	35.8
Our Group (Shanghai SinoFuelCell)	484	468,518	229,377	49.0	298	298,891	154,153	51.6	260	152,845	76,786	50.3
Total	498	481,085	231,845	48.2	494	499,882	223,713	44.8	543	518,051	207,536	40.1

	Six months ended June 30,				Six months ended June 30,			
	2021				2022			
	Sales volume	Sales amount	Gross profit	Margin	Sales volume	Sales amount	Gross profit	Margin
	(Unit)	*(RMB'000)* (unaudited)	*(RMB'000)* (unaudited)	*(%)* (unaudited)	*(Unit)*	*(RMB'000)*	*(RMB'000)*	*(%)*
Third-party suppliers[1]	82	98,319	32,079	32.6	21	11,841	4,330	36.6
Our Group (Shanghai SinoFuelCell)	3	3,046	649	21.3[2]	498	242,856	98,901	40.7
Total	85	101,365	32,728	32.3	519	254,697	103,231	40.5

(1) During the Track Record Period, our third-party fuel cell stacks suppliers were Toyota, Toyota Sinohytec and Hydrogenics Corporation, a Canadian renewable energy company and an Independent Third Party. During the Track Record Period, our aggregate sales volume of fuel cell system which carried fuel cell stacks from Toyota, Toyota Sinohytec and Hydrogenics Corporation were 411 units, 93 units and 10 units, respectively. The Group did not sell any fuel cell systems that carried fuel cell stacks procured from Toyota Sinohytec in 2019 and 2020; and did not sell any fuel cell systems that carried fuel cell stacks from Hydrogenics Corporation after 2019.

(2) Such relatively lower gross profit margin of the sales of fuel cell systems equipped with fuel cell stacks manufactured by our Group for the six months ended June 30, 2021 was mainly due to the fact that those three units of fuel cell stacks manufactured by our Group are prototypes.

The gross profit margin of our sales of fuel cell systems equipped with fuel cell stacks produced by third-party suppliers increased from 19.6% in 2019 to 35.8% in 2021, and remained relatively stable at 36.6% in the six months ended June 30, 2022. Such increase in gross profit margin was mainly due to the average costs per kW of fuel cell systems reduced at a faster pace than the decrease in average selling price per kW, which was because of (1) an increased sales volume; and (2) our increase in purchase of fuel cell stacks from Toyota Sinohytec, which had lower purchase price.

Other Income, Gains and Losses

The following table sets forth a breakdown of our other income and other gains and losses during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
Other income					
Interest income	3,879	12,070	21,305	10,036	11,779
Government grants	30,287	24,194	29,340	9,799	14,953
	34,166	36,264	50,645	19,835	26,732
Other gains and losses					
Gain on deemed disposal of a subsidiary	63,459	—	—	—	—
Realized gain on disposal of interest in an associate	—	11,615	—	—	—
Gain on deemed disposals of interests in associates	—	22,440	16,261	—	—
Gains/(losses) on disposal of property, plant and equipment	18	(3)	(806)	(350)	(129)
Write down of inventories	(9,679)	(15,905)	(47,056)	—	(27,606)
Impairment loss on property, plant and equipment	(15,988)	—	—	—	—
Others[(1)]	21,394	(938)	552	(163)	(3,839)
	59,204	17,209	(31,049)	(513)	(31,574)
	93,370	**53,473**	**19,596**	**19,322**	**(4,842)**

(1) Others mainly consisted of donations, compensation and foreign exchange losses, net.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of business promotion and maintenance, salary for our sales staff, product quality guarantee, depreciation and amortization, and transportation expenses. Our business promotion activities primarily include organizing and participating in industry events, product exhibitions and product launch events, and conducting Internet and conventional advertising, which were targeting at vehicle manufacturers. In addition, as part of our business promotion activities, we also promoted the application of our fuel cell systems through assisting commercial vehicle manufacturers in their testing of fuel cell vehicle prototypes and production and launch of new vehicle models. The following table sets forth a breakdown of our selling and distribution expenses during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Business promotion and maintenance expenses	21,164	43.6	13,537	34.9	20,736	33.3	2,835	16.3	10,295	30.8
Salary expenses	11,967	24.7	9,921	25.5	19,140	30.7	7,191	41.4	13,545	40.6
Product quality guarantee	7,980	16.5	7,609	19.6	10,510	16.9	1,573	9.1	3,589	10.8
Depreciation and amortization	4,407	9.1	5,193	13.4	7,339	11.8	3,574	20.6	3,020	9.0
Transportation expenses	2,512	5.2	1,376	3.5	1,886	3.0	1,056	6.1	899	2.7
Others[(1)]	441	0.9	1,197	3.1	2,667	4.3	1,131	6.5	2,047	6.1
	48,471	**100.0**	**38,833**	**100.0**	**62,278**	**100.0**	**17,360**	**100.0**	**33,395**	**100.0**

(1) Others mainly represented miscellaneous office expenses, testing, maintenance and other non-essential support service expenses.

Administrative Expenses

Administrative expenses primarily consist of salary of our administrative staff, depreciation and amortization, office expenses, traveling expenses and professional fees. The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Salary expenses	46,421	51.6	50,042	54.9	71,775	56.7	27,431	59.0	44,320	55.1
Depreciation and amortization	14,498	16.1	14,551	16.0	20,301	16.0	8,568	18.4	19,767	24.6
Office expenses	9,461	10.5	5,573	6.1	10,596	8.4	2,363	5.1	2,424	3.0
Traveling expenses	8,818	9.8	7,724	8.5	6,622	5.2	1,946	4.2	2,327	2.9
Professional fees	3,897	4.4	6,594	7.2	10,098	8.0	1,851	4.0	1,403	1.7
Others[(1)]	6,838	7.6	6,719	7.3	7,265	5.7	4,370	9.3	10,182	12.7
	89,933	**100.0**	**91,203**	**100.0**	**126,657**	**100.0**	**46,529**	**100.0**	**80,423**	**100.0**

(1) Others mainly represented bank administrative charges and other non-essential support service expenses.

Research and Development Expenses

Research and development expenses primarily consist of raw materials expenses for our R&D projects, salary expenses of our R&D staff, outsourced development fees, depreciation and amortization expenses, and testing and laboratory expenses for our R&D projects. The following table sets forth a breakdown of our research and development expenses during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Raw materials expenses	31,210	37.2	18,193	24.4	38,648	41.7	17,227	48.6	2,690	4.5
Salary expenses	25,543	30.5	20,643	27.6	24,207	26.1	8,194	23.1	21,126	35.1
Outsourced development fees[1]	15,894	18.9	16,924	22.7	9,188	9.9	1,360	3.8	7,271	12.0
Depreciation and amortization	6,721	8.0	9,198	12.3	8,948	9.6	2,325	6.6	10,854	18.0
Testing and laboratory expenses	1,510	1.8	7,807	10.5	6,225	6.7	3,000	8.5	14,471	24.0
Others[2]	3,024	3.6	1,906	2.5	5,557	6.0	3,325	9.4	3,852	6.4
	83,902	**100.0**	**74,671**	**100.0**	**92,773**	**100.0**	**35,431**	**100.0**	**60,264**	**100.0**

(1) Outsourced development fees mainly represented external service fee for development of ancillary components of fuel cell systems, external industry research and consultation service fee and other external service expense related to research and development.

(2) Others mainly represented traveling expenses, transportation expenses and other non-essential service fee.

(Impairment Losses)/Reversal of Impairment Losses on Financial Assets

Our impairment losses on financial assets mainly represented the net loss allowance for ECLs on trade receivables, bills receivables, contract assets and other receivables. Our impairment losses on financial assets increased from RMB60.4 million in 2019 to RMB95.8 million in 2020 and further increased to RMB177.0 million in 2021, primarily due to the increase in the impairment loss on trade receivables in connection with two of our major customers who experienced financial difficulties to settle our payments. We had reversal of impairment losses on financial assets of RMB2.3 million and RMB3.3 million in the six months ended June 30, 2021 and 2022. Among these, impairment losses recognized on trade receivables accounted for 98.7%, 96.3% and 93.1% of the total impairment losses on financial assets for 2019, 2020 and 2021, respectively. We had reversal of impairment losses on trade receivables of RMB8.8 million and RMB5.3 million in the six months ended June 30, 2021 and 2022. See "— Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables".

Finance Costs

Finance costs primarily consist of the interest expenses on our bank borrowings and lease liabilities. The following table sets forth a breakdown of our finance costs during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
Interest expenses on:					
— Lease liabilities	5,493	1,213	599	305	213
— Bank borrowings	4,202	7,738	5,253	2,605	3,206
	9,695	**8,951**	**5,852**	**2,910**	**3,419**

Share of Results of Associates

Share of results of associates primarily consists of our share of losses incurred by our associates. Our share of losses of associates was RMB4.7 million, RMB10.8 million and RMB1.7 million, RMB3.0 million and RMB3.2 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

Share of Results of a Joint Venture

Share of results of a joint venture primarily consists of our share of results in Toyota Sinohytec which is our joint venture with Toyota and established in 2021. See note 21 to the Accountants' Report set out in Appendix I to this prospectus.

Income Tax Credit

Income tax consists of current income tax and deferred income tax. Current income tax primarily comprises PRC enterprise income tax expenses charged to our Company and our PRC subsidiaries. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we recorded income tax credit of RMB3.1 million, RMB9.8 million, RMB40.9 million, RMB11.5 million and RMB13.8 million, respectively. We recognized income tax credit mainly due to (i) an increase in losses incurred by our certain subsidiaries; (ii) an increase in deductible R&D costs; (iii) the over-provision for taxation in previous year; and (iv) an increase in deferred tax credit on provision for impairment loss of trade receivables and tax losses.

We and some of our subsidiaries, principally Shanghai SinoFuelCell and SinoHytec Power, are subject to PRC enterprise income tax at a preferential tax rate of 15% given their accreditations as "High and New Technology Enterprise". This qualification is subject to review by the relevant tax authority in the PRC for every three years. Further, Chengdu Guoqinghuatong was accredited as an "Encouraged Industrial Enterprises in the Western Region" in 2020, and was entitled to a preferential income tax rate of 15% in 2020 and 2021. This qualification will expire in 2030.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Revenue

Our total revenue increased significantly from RMB117.8 million in the six months ended June 30, 2021 to RMB269.1 million in the six months ended June 30, 2022. The increase was primarily attributable to significant increase in our sales of fuel cell systems.

- *Sales of Fuel Cell Systems:* Our sales of fuel cell systems increased from RMB101.4 million in the six months ended June 30, 2021 to RMB254.7 million in the six months ended June 30, 2022 because we sold 519 units, totaling 51,140kW of fuel cell systems in the six months ended June 30, 2022 compared to 85 units of fuel cell systems sold in the same period of 2021. This was driven by the growth in the market demand for fuel cell vehicles resulting from supportive government policies of demonstration city clusters. In particular, we sold 268 units of 80kW model of fuel cell systems for cold chain logistics vehicles and 230 units of 120kW model of fuel cell systems for trucks and buses in the six months ended June 30, 2022, totaling 49,040kW. Such sales amounted to RMB111.8 million and RMB131.1 million, representing 43.9% and 51.5% of our sales of fuel cell systems in the six months ended June 30, 2022.

- *Sales of Fuel Cell Components:* Our revenue for the sales of fuel cell components decreased from RMB5.6 million in the six months ended June 30, 2021 to RMB3.7 million in the six months ended June 30, 2022. This was primarily due to our RMB1.6 million sales of hydrogen storage systems to Beiqi Foton in the six months ended June 30, 2021, which did not recur in the six months ended June 30, 2022.

- *Provision of Technology Development Services:* Our revenue for the provision of technology development services increased from RMB4.8 million in the six months ended June 30, 2021 to RMB7.7 million in the six months ended June 30, 2022 as we have provided technical services to Toyota Sinohytec since July 2021 and after-sales services to Yutong Bus in the six months ended June 30, 2022.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased significantly from RMB81.3 million for the six months ended June 30, 2021 to RMB164.7 million for the six months ended June 30, 2022, which was in line with our increased sales of fuel cell systems.

Our gross profit increased significantly from RMB36.4 million for the six months ended June 30, 2021 to RMB104.5 million for the six months ended June 30, 2022 primarily due to the increased sales volume of fuel cell systems, and our overall gross margin increased from 30.9% to 38.8%, primarily due to the significant increase in the gross profit for the sales of fuel cell systems, the gross profit margin of which increased from 32.3% to 40.5% as a result of the increased production scales and the increased sales volume of systems that carried fuel cell stacks from our Group.

- *Sales of Fuel Cell Systems:* Our gross profit for the sales of fuel cell systems increased significantly from RMB32.7 million to RMB103.2 million. Such increase was in line with our increase in sales of fuel cell systems. Our gross profit margin for the sales of fuel cell systems increased from 32.3% to 40.5%, which was primarily because our average cost of sales per kW decreased as a result of the increased production scales and the increase in the total power output of the fuel cell systems sold, and the increased sales volume of systems that carried fuel cell stacks from our Group.

- *Sales of Fuel Cell Components*: Our gross profit for the sales of fuel cell components decreased from RMB1.1 million for the six months ended June 30, 2021 to RMB0.9 million for the same period of 2022. Our gross profit margin for the sales of fuel cell components increased from 20.1% for the six months ended June 30, 2021 to 25.9% for the six months ended June 30, 2022. The increase in gross profit margin was primarily due to the sale of hydrogen storage systems to a customer nearly at cost for the six months ended June 30, 2021, which was an one-off event, for the purpose of promoting and marketing our products.

- *Provision of Technology Development Services*: Our gross profit for the provision of technology development services decreased from RMB2.0 million for the six months ended June 30, 2021 to RMB0.5 million for the same period of 2022. Our gross profit margin for the provision of technology development services were 42.2% and 6.2% for the six months ended June 30, 2021 and 2022, respectively. The decrease in gross profit margin was primarily due to change in service mix and the increase in labor costs resulting from the increase in general salary level.

Other Income

Other income increased from RMB19.8 million for the six months ended June 30, 2021 to RMB26.7 million for the same period of 2022. This increase was primarily attributable to the increase in government grants by RMB5.2 million, which included industry-specific subsidies granted by the government to reward our efforts in technology innovations.

Other Gains and Losses

We recorded other losses of RMB0.5 million and RMB31.6 million for the six months ended June 30, 2021 and the same period in 2022, respectively. The increase was primarily due to the write down of inventories of RMB27.6 million caused by the expansion of our business scale with the increase in inventories and the market demand for high power output fuel cell systems resulting in a larger amount of provision being provided to our low power output models.

Selling and Distribution Expenses

Selling and distribution expenses increased from RMB17.4 million for the six months ended June 30, 2021 to RMB33.4 million for the same period of 2022. The increase was mainly due to (i) an increase in salary expenses from RMB7.2 million to RMB13.5 million; (ii) an increase in the product quality guarantee from RMB1.6 million to RMB3.6 million which was in line with our increase in sales of fuel cell systems; and (iii) an increase in business promotion expenses from RMB2.8 million to RMB10.3 million due to increased promotion of fuel cell vehicle applications and relevant technologies.

Administrative Expenses

Administrative expenses increased from RMB46.5 million for the six months ended June 30, 2021 to RMB80.4 million for the same period of 2022. The increase was mainly due to (i) an increase in salary expenses from RMB27.4 million to RMB44.3 million mainly due to the increase in our manpower handling the administrative work and also in our general salary level; and (ii) an increase in depreciation and amortization from RMB8.6 million to RMB19.8 million, due to increase in fixed assets and intangible assets.

Research and Development Expenses

Our research and development expenses increased significantly from RMB35.4 million for the six months ended June 30, 2021 to RMB60.3 million for the same period of 2022. The increase was mainly due to (i) an increase in salary expenses from RMB8.2 million to RMB21.1 million due to increase in headcount of over 50 R&D staff and general salary level; (ii) a significant increase in outsourced development fees from RMB1.4 million to RMB7.3 million due to more R&D projects for fuel cell systems; and (iii) an increase in depreciation and amortization from RMB2.3 million to RMB10.9 million, partially offset by a decrease in raw materials consumed from RMB17.2 million to RMB2.7 million because most of our R&D projects in the six months ended June 30, 2022 were still at an early stage and the testing was not commenced.

Reversal of Impairment Losses on Financial Assets

During the six months ended June 30, 2022, we incurred RMB3.3 million of net reversal of impairment losses on financial assets and increased from RMB2.3 million in the same period of 2021, primarily due to our efforts in payment collections.

Finance Costs

Our finance costs remained relatively stable at RMB2.9 million for the six months ended June 30, 2021 and RMB3.4 million for the same period of 2022.

Share of Results of Associates

Our share of losses of associates remained relatively stable at RMB3.0 million for the six months ended June 30, 2021 and RMB3.2 million for the same period of 2022.

Share of Results of a Joint Venture

Our share of results of joint venture were nil for the six months ended June 30, 2021 and a loss of RMB7.9 million for the same period of 2022, which represented our share of losses incurred by Toyota Sinohytec.

Income Tax Credit

Our income tax credit slightly increased from RMB11.5 million in the six months ended June 30, 2021 to RMB13.8 million in the same period of 2022, primarily due to an increase in unused tax losses.

Loss for the Period

As a result of the foregoing and the impact of listing expenses, we recorded a loss of RMB35.7 million and RMB81.6 million for the six months ended June 30, 2021 and 2022, respectively.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased from RMB572.3 million in 2020 to RMB629.4 million in 2021. The increase was primarily attributable to the increase in our sales of fuel cell systems and sales of fuel cell components partially offset by a decrease in revenue from the provision of technology development services. In particular,

- *Sales of Fuel Cell Systems:* Our sales of fuel cell systems increased from RMB499.9 million in 2020 to RMB518.1 million in 2021 because we sold 543 units, totaling 58,580kW of fuel cell systems in 2021 compared to 494 units, totaling 35,600kW of fuel cell systems in 2020. This was driven by the growth in the market demand for fuel cell vehicles, supportive government policies and customer orders relating to the Beijing 2022 Olympic Winter Games. In particular, we sold 140 units of 150kW model to a major customer, Beiqi Foton, which have been installed and used on transit buses for use in the Beijing 2022 Olympic Winter Games. Such sales amounted to RMB229.4 million, representing 44.3% of our sales of fuel cell systems in 2021.

- *Sales of Fuel Cell Components:* Our revenue for the sales of fuel cell components significantly increased from RMB26.1 million in 2020 to RMB52.8 million in 2021. This was primarily contributed to our sales to Sichuan FAW Toyota Motor Co., Ltd., totaling RMB37.0 million, representing 70.1% of our total sales of fuel cell components. Such sales were related to our cooperation with Toyota in developing and testing of hydrogen storage systems.

- *Provision of Technology Development Services:* Our revenue for the provision of technology development services decreased from RMB33.5 million in 2020 to RMB27.5 million in 2021 as we gradually completed the developing and testing of hydrogen storage system with Toyota in 2021. As such, the relevant service income generated decreased in 2021.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased from RMB325.0 million in 2020 to RMB393.3 million in 2021, generally reflecting our increased procurement of raw materials which resulted from our increased sales of fuel cell systems and an increase in labor costs due to increases in salary and employee headcount.

Our gross profit was RMB247.3 million and RMB236.0 million in 2020 and 2021, respectively, and our overall gross margin decreased from 43.2% to 37.5%, respectively, primarily due to the decreasing gross profit margin of our sales of fuel cell systems.

- *Sales of Fuel Cell Systems:* Our gross profit for the sales of fuel cell systems decreased from RMB223.7 million in 2020 to RMB207.5 million in 2021 due to increased costs of raw materials and labor costs. Our gross profit margin for the sales of fuel cell systems decreased from 44.8% to 40.1%. This was primarily resulted from the increasing sales of systems that carried fuel cell stacks from Toyota in 2021, which had relatively higher costs compared to those manufactured by us. We procured fuel cell stacks from Toyota because (i) we collaborated and co-developed with Toyota and Beiqi Foton transit buses using our fuel cell systems which, pursuant to the cooperation agreement entered into among us, Toyota and Beiqi Foton, are required to carry the fuel cell stacks from Toyota, that are designated as the official transport vehicles at the Beijing 2022 Olympic Winter Games, and (ii) due to different characteristics of graphite and metallic fuel cell stacks, we offer fuel cell systems with the two major types of stacks to further diversify our product portfolio. Among all the fuel cell systems sold by us in 2021, 211 units out of 543 units carried the stacks from Toyota, whereas only 196 units out of 494 units carried the fuel cell stacks from Toyota during the same period in 2020.

- *Sales of Fuel Cell Components:* Our gross profit for the sales of fuel cell components increased significantly from RMB3.3 million in 2020 to RMB14.1 million in 2021. Our gross profit margin for the sales of fuel cell components were 12.7% and 26.8% in 2020 and 2021, respectively. The increase in gross profit margin were primarily due to the fact that we sold certain hydrogen storage systems to a major customer, as add-on products to fuel cell systems sold to them previously, nearly at cost in 2020, which was an one-off event.

- *Provision of technology development services:* Our gross profit for the provision of technology development services decreased from RMB18.5 million in 2020 to RMB9.8 million in 2021. Such decrease was primarily due to the gradual completion of developing and testing of fuel cell systems for Toyota in 2021. Our gross profit margin for the provision of technology development services subsequently decreased from 55.2% to 35.6%.

Other Income

Other income increased from RMB36.3 million in 2020 to RMB50.6 million in 2021. This increase is primarily attributable to the higher interest income received from our bank deposit and low-risk wealth management products as part of our cash management activities; and more government grants received during the period. We recorded an increase in our interest income on bank deposit from RMB9.7 million in 2020 to RMB16.0 million in 2021 as we have deposited un-deployed proceeds raised in the SSE STAR Market with various commercial banks in China. Further, we recorded an increase in our interest income on financial assets at FVTPL from RMB0.5 million in 2020 to RMB3.4 million in 2021 as we purchased wealth management products of RMB672.0 million from commercial banks, which matured by the end of 2021. Our government grants increased from RMB24.2 million in 2020 to RMB29.3 million in 2021 in relation to our efforts for technological innovation.

Other Gains and Losses

We recorded other gains of RMB17.2 million in 2020 and other losses of RMB31.0 million in 2021. In particular, in 2020, we recorded a gain on deemed disposal of interest in Zhangjiakou Haiper of RMB16.2 million, as a result of the decrease in our effective interest in Zhangjiakou Haiper to 26.22% since February 2020.

In 2021, we recorded write-down of inventories of RMB47.1 million caused by the expansion of our business scale with the increase in inventories and the market demand for high power output fuel cell systems resulting in a larger amount of provision being provided to our low power output models, partially offset by the gain on deemed disposal of interest in Shanghai Maximfuelcell of RMB15.6 million, as a result of the decrease in our effective interest in Shanghai Maximfuelcell to 14.30% as of December 31, 2021.

Selling and Distribution Expenses

Selling and distribution expenses increased from RMB38.8 million in 2020 to RMB62.3 million in 2021. The increase was mainly due to (i) an increase in salary expenses from RMB9.9 million to RMB19.1 million given the salary adjustment and the increase in headcount, (ii) an increase in business promotion expenses from RMB13.5 million to RMB20.7 million due to the impact of COVID-19 on our promotion activities in 2020 and increased promotion of fuel cell vehicle applications and relevant technologies in 2021, and (iii) an increase in the product quality guarantee from RMB7.6 million to RMB10.5 million which was in line with our increase in sales of fuel cell systems.

Administrative Expenses

Administrative expenses increased from RMB91.2 million in 2020 to RMB126.7 million in 2021. The increase was mainly due to (i) an increase in office expenses from RMB5.6 million to RMB10.6 million, as our employees have gradually returned to office from home given the COVID-19 was under control, (ii) an increase in professional fees from RMB6.6 million to RMB10.1 million in connection with our human resources system consultancy services and SSE STAR Market listing related expenses, (iii) an increase in depreciation and amortization costs from RMB14.6 million to RMB20.3 million and (iv) an increase in salary from RMB50.0 million to RMB71.8 million given the increase in our headcount of over 20 administrative staff and increase in our general salary level and social security benefits.

Research and Development Expenses

Our research and development expenses increased from RMB74.7 million in 2020 to RMB92.8 million in 2021. The increase was mainly due to (i) an increase in raw materials consumed from RMB18.2 million to RMB38.6 million given the number of R&D projects increased and hence the relevant materials costs also increased, and (ii) an increase in salary expenses from RMB20.6 million to RMB24.2 million given the increase in our headcount of 73 R&D personnel and the progress of our R&D projects. The increase was partially offset by a decrease in outsourced development fees from RMB16.9 million to RMB9.2 million as we capitalized more costs for R&D projects in 2021.

Impairment Losses on Financial Assets

Our impairment losses on financial assets increased significantly from RMB95.8 million in 2020 to RMB177.0 million in 2021, primarily due to the increase in the impairment loss on trade receivables in connection with two of our major customers who experienced financial difficulties to settle our payments. See "— Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables — Impairment Provision".

Finance Costs

Our finance costs decreased from RMB9.0 million in 2020 to RMB5.9 million in 2021 as we repaid a portion of our bank borrowings.

Share of Results of Associates

Our losses on share of results of associates decreased from RMB10.8 million in 2020 to RMB1.7 million in 2021, primarily due to (i) decreased losses incurred by our associate company, Zhangjiakou Haiper, and (ii) loss incurred by United Fuel Cell during 2021.

Share of Results of a Joint Venture

Our share of results of joint venture were nil in 2020 compared to a loss of RMB4.7 million in 2021, which represented our share of losses incurred by Toyota Sinohytec, which was our joint venture with Toyota established in 2021.

Income Tax Credit

Our income tax credit increased from RMB9.8 million in 2020 to RMB40.9 million in 2021, primarily due to (i) an increase in losses incurred by our certain subsidiaries; (ii) an increase in deductible research and development costs; (iii) the over-provision for taxation in the previous year, and (iv) an increase in deferred tax credit on provision for impairment loss of trade receivables.

Loss for the Year

As a result of the foregoing, we recorded a loss of RMB9.8 million and RMB185.4 million in 2020 and 2021, respectively.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2020

Revenue

Our total revenue increased slightly from RMB553.6 million in 2019 to RMB572.3 million in 2020. The increase was primarily attributable to an increase in revenue from sales of fuel cell systems and provision of technology development services, partially offset by a decrease in revenue from sales of fuel cell components. In particular,

- *Sales of Fuel Cell Systems:* Our sales of fuel cell systems increased slightly during 2020. We sold 498 units, totaling 23,810kW of fuel cell systems in 2019 and 494 units, totaling 35,600kW of fuel cell systems in 2020. Despite a similar sales volume, the total sales power output (in terms of kW) increased substantially in 2020, mainly driven by the growth in market demand for higher power output products during 2020. In particular, we introduced the 80kW model in 2020, with a sales volume of 324 units, totaling 25,920kW. Such sales amounted to RMB362.1 million, representing 72.4% of our sales of fuel cell systems in 2020.

- *Sales of Fuel Cell Components:* Our revenue for the sales of fuel cell components decreased from RMB43.0 million in 2019 to RMB26.1 million in 2020. This was primarily due to our RMB33.2 million sales of hydrogen storage systems and DC-to-DC converter to Shanghai Shenlong in 2019, which did not recur in 2020. On the other hand, we made RMB11.3 million sales of hydrogen storage systems to Beiqi Foton in 2020.

- *Provision of technology development services:* Our revenue for the provision of technology development services increased from RMB9.2 million in 2019 to RMB33.5 million in 2020 as we have increased our cooperation with Toyota in developing and testing of hydrogen storage systems.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased slightly from RMB307.1 million in 2019 to RMB325.0 million in 2020, our gross profit remained stable at RMB246.5 million in 2019 to RMB247.3 million in 2020, respectively, and our overall gross margin also remained stable at 44.5% and 43.2% in 2019 and 2020, respectively, primarily caused by the decrease of gross profit margin for the sales of fuel cell systems, compensated by the increase of gross profit margin for the sales of fuel cell components and the provision of technology development services.

- *Sales of Fuel Cell Systems:* Our gross profit for the sales of fuel cell systems decreased slightly from RMB231.8 million in 2019 to RMB223.7 million in 2020 while the gross profit margin decreased slightly from 48.2% in 2019 to 44.8% in 2020. The slight decrease in our gross profit margin was primarily caused by the increasing sales of products that carried fuel cell stacks from Toyota in 2020. Given Toyota's fuel cell stacks had a relatively higher costs compared to fuel cell stacks manufactured by us, our gross profit margin was affected. Among all the fuel cell systems sold by us in 2019, only four units out of 498 units carried Toyota's fuel cell stacks, whereas the number was 196 units out of 494 units in 2020. We increased our procurement of Toyota's fuel cell stacks in 2020. The prices of the Toyota stacks and our fuel cell system were predetermined at the beginning of this collaboration and as a result we were unable to shift any price difference to the customer. In addition, we adopted competitive pricing strategies to promote the sales of fuel cell systems and attract new customers. For example, for selected models, we matched our product price closely with that of competing models in the market, regardless of whether the stacks used in its products are made in-house or supplied by Toyota.

  On the other hand, such decrease was partially offset by the introduction of our 50kW and 80kW models in 2020 as newly introduced products generally enjoy a relatively higher gross profit margin. This is because (i) newly introduced models are normally more technologically advanced compared to older models, and (ii) there is a general market demand for higher power models in the industry.

- *Sales of Fuel Cell Components:* Our gross profit for the sales of fuel cell components remained relatively stable at RMB3.2 million and RMB3.3 million in 2019 and 2020, respectively. Our gross profit margin for the sales of fuel cell components increased from 7.4% to 12.7% in 2019 to 2020, due to increase in sales of components with higher gross profit margin such as hydrogen storage systems and liquid coolant.

- *Provision of technology development services:* Our gross profit for the provision of technology development services increased significantly from RMB4.6 million in 2019 to RMB18.5 million in 2020, primarily due to our deepened cooperation with Toyota in developing and testing of hydrogen storage systems. Our gross profit margin for the provision of technology development services increased from 49.3% to 55.2% as our developing and testing services became more complex in 2020.

Other Income

Other income increased from RMB34.2 million in 2019 to RMB36.3 million in 2020. In particular, we recorded an increase in our interest income on bank deposit from RMB2.4 million in 2019 to RMB9.7 million in 2020 as we have deposited un-deployed proceeds raised from SSE STAR Market in August 2020 with commercial banks in China. We have further recorded an increase in our interest income on financial assets at FVTPL from nil in 2019 to RMB0.5 million in 2020 as we have purchased low-risk wealth management products of RMB188.5 million from several commercial banks, partially offset by a decrease in government grants.

Other Gains

Other gains decreased from RMB59.2 million in 2019 to RMB17.2 million in 2020. In particular, in 2019, we recorded a RMB20.0 million compensation from a perpetrator which caused an explosion incident at a plant owned by Zhangjiakou Haiper, our former subsidiary in November 2018. Our PRC Legal Advisor confirmed that the relevant litigation is concluded without any outstanding compensation and is no longer subject to appeal. Furthermore, we recorded a gain on deemed disposal of a subsidiary of an amount of RMB63.5 million in 2019, as a result of our effective interest in Zhangjiakou Haiper has decreased to 32.77% since September 2019, partially offset by the impairment loss on property, plant and equipment of RMB16.0 million due to the explosion incident mentioned above.

In 2020, we recorded a gain on deemed disposal of interest in Zhangjiakou Haiper of RMB22.4 million, as a result of the decrease in our effective interest in Zhangjiakou Haiper to 26.22% since February 2020. Furthermore, we recorded realized gain on disposal of interest in an associate of RMB11.6 million in 2020, as a result of our disposal of 10% equity interest in Jiaotou Hydrogen in October 2020. The increase in other gains was partially offset by a RMB15.9 million write-down of inventories due to the greater market demand for higher power models resulting in a larger amount of provision being provided to our lower power output models and their fuel cell components.

Selling and Distribution Expenses

Selling and distribution expenses decreased from RMB48.5 million in 2019 to RMB38.8 million in 2020. The decrease was mainly affected by (i) a decrease in business promotion expenses from RMB21.2 million in 2019 to RMB13.5 million in 2020 as a result of COVID-19, (ii) a decrease in transportation expenses from RMB2.5 million in 2019 to RMB1.4 million in 2020 as affected by COVID-19, and (iii) a decrease in salary expenses by RMB2.1 million due to one-off deduction or exemption for the payment of social insurance contributions as a result of local government relief in response to the COVID-19.

Administrative Expenses

Administrative expenses increased from RMB89.9 million in 2019 to RMB91.2 million in 2020. The increase was primarily due to (i) an increase in salary expenses from RMB46.4 million in 2019 to RMB50.0 million in 2020 as a result of provision for bonus in relation to our listing on the SSE STAR Market in August 2020; and (ii) an increase in professional fees from RMB3.9 million in 2019 to RMB6.6 million in 2020 in connection with our listing on the SSE STAR Market, partially offset by the reduction in traveling and office expenses due to COVID-19 in 2020.

Research and Development Expenses

Our research and development expenses decreased from RMB83.9 million in 2019 to RMB74.7 million in 2020. This is primarily due to (i) a decrease in raw material consumed in R&D projects from RMB31.2 million in 2019 to RMB18.2 million in 2020 as we capitalized costs for more R&D projects in 2020; and (ii) a decrease in salary expenses from RMB25.5 million in 2019 to RMB20.6 million in 2020 due to deduction or exemption of payment of social insurance contributions as a result of local government relief in response to the COVID-19 outbreak.

Impairment Losses on Financial Assets

Our impairment losses on financial assets increased from RMB60.4 million in 2019 to RMB95.8 million in 2020, primarily due to the increase in the impairment loss on trade receivables in connection with two of our major customers who experienced financial difficulties to settle our payments. See "— Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables — Impairment Provisions".

Finance Costs

Finance costs remained relatively stable at RMB9.7 million and RMB9.0 million in 2019 and 2020, respectively.

Share of Results of Associates

Our share of losses of associates increased from RMB4.7 million in 2019 to RMB10.8 million in 2020, primarily due to (i) increased losses incurred by our associate company, Zhangjiakou Haiper which has no longer been consolidated into our Group since September 30, 2019, and (ii) share of losses incurred by Air Sinohytec and United Fuel Cell, as these companies were in early stage of development in 2020.

Income Tax Credit

In 2019 and 2020, we recorded income tax credit of RMB3.1 million and RMB9.8 million, respectively. Such increase was primarily due to more subsidiaries incurred losses in 2020.

Profit or Loss for the Period

As a result of the foregoing, we recorded a profit of RMB45.9 million in 2019, and we recorded a loss of RMB9.8 million in 2020.

LIQUIDITY AND CAPITAL RESOURCES

Our primary working capital needs have been, and are expected to continue to be, funding our research and development, construction of our manufacturing facilities, procurement of raw materials and other general corporate needs. Historically, we financed our operations and other capital requirements primarily using cash generated from our operations, bank and other borrowings and funds raised from equity financings.

We expect to fund our future working capital and other cash requirements with cash generated from operations, net proceeds from the Global Offering, bank and other borrowings, as well as equity financing when necessary. Any significant decrease in demand for, or pricing of, our products, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity.

As of December 31, 2019, 2020, 2021 and June 30, 2022, we had cash and cash equivalents of RMB201.5 million, RMB965.9 million, RMB805.0 million and RMB633.0 million, respectively.

Cash Flows

The following table sets forth a summary of our consolidated statement of cash flows during the Track Record Period and the nine months ended September 30, 2022:

	Years ended December 31,			Six months ended June 30,	Nine months ended September 30,
	2019	**2020**	**2021**	**2022**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)
Profit/(loss) before taxation	42,782	(19,522)	(226,314)	(95,368)	(137,638)
— Operating cash flows before movements in working capital	57,338	135,417	248,491	68,986	99,201
— Changes in working capital	(269,143)	(310,878)	(105,561)	8,302	(145,339)
— Income taxes paid	(10,221)	(7,967)	(8,979)	(2,025)	(2,096)
Net cash used in operating activities	(179,244)	(202,950)	(92,363)	(20,105)	(185,872)
Net cash used in investing activities	(195,575)	(358,397)	(566,767)	(211,414)	(3,865)
Net cash generated from financing activities	444,819	1,325,778	498,174	59,582	91,601
Net increase/(decrease) in cash and cash equivalents	70,000	764,431	(160,956)	(171,937)	(98,136)
Cash and cash equivalents at beginning of the year/period	131,984	201,537	965,929	804,967	804,967
Effect of foreign exchange rate changes, net	(447)	(39)	(6)	(13)	(27)
Cash and cash equivalents at end of the year/period	**201,537**	**965,929**	**804,967**	**633,017**	**706,804**

Operating Activities

For the nine months ended September 30, 2022, we had net cash used in operating activities of RMB185.9 million, primarily attributable to our loss before taxation of RMB137.7 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB39.8 million; (ii) write down of inventories of RMB37.2 million; and (iii) amortization of intangible assets of RMB19.5 million, partially offset by (i) interest income of RMB16.8 million and (ii) gain on deemed disposals of interests in associates of RMB8.7 million. The amount was further adjusted by changes in working capital and income tax paid of RMB2.1 million. The changes in working capital primarily included (i) a RMB162.3 million increase in inventories, primarily in raw materials and consumables, as we procured more raw materials to meet the increasing market demand for our products in the fourth quarter of 2022; and (ii) a RMB29.3 million increase in prepayments, deposits and other receivables, partially offset by (i) a RMB68.0 million increase in trade and bills payables; and (ii) a RMB13.0 million increase in deferred income.

In the future, we expect to improve our net operating cash outflows position by taking advantage of (i) our continuous revenue growth fueled by increasing orders, our customer expansion, geographical expansion and enhancing marketing effort; (ii) our improved operating leverage as we expect our revenue growth to exceed the increase in expenses gradually; and (iii) improved and refined management of working capital.

To improve and refine our management of working capital, we will continue to leverage our leading position to negotiate more attractive contractual terms with our customers and suppliers and implement more stringent credit term review and approval procedures. In the future, we plan to develop relationships with more customers of sound credit profile. We also expect to collect our trade receivables in a more efficient manner and narrow the gap of turnover days of trade receivables and trade payables. We have implemented relevant measures, such as implementing sales and collection policy which detailed our cash flow and liquidity management policy and included measures to perform on-going credit evaluation of financial conditions of our customers, assessing the potential customer's credit quality at the early stage of entering sales contracts, collecting basic information and build customer profiles, and considering the customer's payment history and any unsettled amount with us at the time. See "— Liquidity and Capital Resources — Cash Flows".

In light of the foregoing, our Directors are of the view that we will have positive cash flows from operating activities in the medium term, assuming there are no changes in extrinsic factors that would materially influence the fuel cell industry and fuel cell market in China generally or us specifically such as evolvement of COVID-19 in China.

For the six months ended June 30, 2022, we had net cash used in operating activities of RMB20.1 million, primarily attributable to our loss before taxation of RMB95.4 million, as adjusted for non-cash and non-operating items, which primarily include (i) write down of inventories of RMB27.6 million; (ii) depreciation of property, plant and equipment of RMB24.4 million; and (iii) amortization of intangible assets of RMB12.1 million, partially offset by (i) interest income of RMB11.8 million and (ii) reversal of impairment losses on financial assets of RMB3.3 million. The amount was further adjusted by changes in working capital and income tax paid of RMB2.0 million. The changes in working capital primarily included (i) a RMB62.3 million increase in inventories primarily attributable to the increase in raw materials and consumables primarily because we procured more raw materials to meet the increasing market demand for our products; and (ii) a RMB15.8 million increase in prepayments, deposits and other receivables, partially offset by (i) a RMB70.2 million decrease in trade and bills receivables driven by our efforts in collecting payments in the six months ended June 30, 2022; and (ii) a RMB11.4 million increase in deferred income.

In 2021, we had net cash used in operating activities of RMB92.4 million, primarily attributable to our loss before taxation of RMB226.3 million, as adjusted for non-cash and non-operating items, which primarily include (i) impairment losses on financial assets of RMB177.0 million; (ii) write down of inventories of RMB47.1 million and (iii) depreciation of property, plant and equipment of RMB32.1 million, partially offset by (i) interest income of RMB21.3 million; (ii) gain on deemed disposals of interests in associates of RMB16.3 million and (iii) amortization of deferred income of RMB14.6 million. The amount was further adjusted by changes in working capital and income tax paid of RMB9.0 million. The changes in working capital primarily included (i) a RMB134.9 million increase in inventories driven by our increased production and sales volumes; (ii) a RMB73.2 million increase in trade and bills receivables driven by our increased sales in 2021; and (iii) a RMB34.3 million increase in prepayments, deposits and other receivables primarily attributable to (a) the increase in value added tax recoverable; and (b) the increase of prepayments for raw materials in anticipation of our sales increase in 2021, partially offset by (i) a RMB51.8 million increase in trade and bills payables, primarily because we procured more raw materials in anticipation of increased production needs in the first half of 2022; and (ii) a RMB55.4 million increase in other payables and accruals as a result of (a) an increase in the salary payments in the amount of RMB13.5 million; (b) an increase in payables due to purchases of property, plant and equipment of RMB15.4 million; and (c) an increase in the amount of endorsed bills by RMB14.9 million given certain bills have been endorsed but not yet due.

In 2020, we had net cash used in operating activities of RMB203.0 million, primarily attributable to our loss before taxation of RMB19.5 million, as adjusted for non-cash and non-operating items, which primarily include (i) impairment losses on financial assets of RMB95.8 million; (ii) depreciation of property, plant and equipment of RMB23.1 million; (iii) written off of certain property, plant and equipment of RMB11.1 million of Shanghai SinoFuelCell and Chengdu Guoqinghuatong Technology Co., Ltd.; and (iv) write down of inventories of RMB15.9 million, partially offset by (i) interest income of RMB12.1 million; (ii) gain on disposal of interest in Jiaotou Hydrogen of RMB11.6 million and (iii) gains on deemed disposals of interests in Zhangjiakou Haiper and Jiaotou Hydrogen of RMB22.4 million in aggregate. The amount was further adjusted by income tax paid of RMB8.0 million and changes in working capital. The changes in working capital primarily included (i) a RMB351.4 million increase in trade and bills receivables as a result of (a) a majority of sales happened in the second half of the year; and (b) delayed settlement from customers due to the COVID-19 outbreak; (ii) a RMB55.3 million decrease in other payables and accruals as a result of (a) RMB36.0 million recorded under amounts due to subscribers for new registered capital of a subsidiary given the pending registration for an investment to one of our subsidiaries, which have been completed in 2020; and (b) decrease in the amount of endorsed bills given certain bills endorsed but not yet due, partially offset by (i) a RMB55.6 million increase in trade and bills payables, primarily because we procured more raw materials to meet increased production needs and customer's needs, and (ii) a RMB27.6 million increase in government grants to support our R&D activities, expansion of our production facilities and purchase of new production equipment which have not yet been recognized.

In 2019, we had net cash used in operating activities of RMB179.2 million, primarily attributable to our profit before tax of RMB42.8 million, as adjusted for non-cash and non-operating items, which primarily include (i) impairment losses on financial assets of RMB60.4 million; (ii) depreciation of property, plant and equipment of RMB21.0 million; and (iii) impairment losses of property, plant and equipment of RMB16.0 million, partially offset by (i) gain on deemed disposal of interest in Zhangjiakou Haiper of RMB63.5 million; and (ii) amortization of deferred income of RMB14.6 million. The amount was further adjusted by income tax paid of RMB10.2 million and changes in working capital. The changes in working capital primarily included (i) a RMB227.8 million increase in trade and bills receivables driven by our sales in the last quarter of 2019; (ii) a RMB103.1 million increase in inventories driven by our increased production and sales volumes; (iii) a RMB45.9 million increase in prepayments, deposits and other receivables mainly due to our advance to Zhangjiakou Haiper to support its business operation; and (iv) a RMB19.5 million increase in contract assets due to our business growth, partially offset by (i) a RMB93.8 million increase in trade and bills payables, primarily because we procured more raw materials to meet increased production needs; and (ii) a RMB21.3 million increase in other payables and accruals due to our business growth.

Investing Activities

For the nine months ended September 30, 2022, we had net cash used in investing activities of RMB3.9 million, primarily attributable to payments for purchase of wealth management products classified as financial assets at fair value through profit or loss of RMB817.0 million and purchase of property, plant and equipment of RMB125.2 million, partially offset by the proceeds from disposal of wealth management products classified as financial assets at fair value through profit or loss of RMB956.5 million.

For the six months ended June 30, 2022, our net cash used in investing activities was RMB211.4 million, primarily attributable to payment for purchase of wealth management products classified as financial assets at fair value through profit or loss of RMB737.0 million, partially offset by proceeds from disposal of wealth management products classified as financial assets at fair value through profit or loss of RMB590.7 million.

In 2021, our net cash used in investing activities was RMB566.8 million, primarily attributable to (i) payment for purchase of wealth management products classified as financial assets at fair value through profit or loss of RMB672.0 million; (ii) payment for purchases of property, plant and equipment of RMB196.6 million due to the expansion and construction of second phase of our Zhangjiakou Plant; (iii) capital contribution to Toyota

Sinohytec of RMB132.9 million; and (iv) payments for purchases of intangible assets of RMB76.3 million, partially offset by (i) proceeds from disposal of wealth management products classified as financial assets at fair value through profit or loss of RMB503.2 million; and (ii) the decrease in restricted and pledged bank deposits of RMB40.3 million.

In 2020, our net cash used in investing activities was RMB358.4 million, primarily attributable to (i) payment for purchase of wealth management products classified as financial assets at fair value of RMB188.5 million; (ii) payment for purchases of property, plant and equipment of RMB128.1 million due to the expansion and construction of second phase of our Zhangjiakou Plant; (iii) an increase in restricted and pledged bank deposit of RMB91.6 million; and (iv) payment for the purchase of intangible assets of RMB67.1 million; partially offset by proceeds from disposal of wealth management products classified as financial assets at fair value of RMB139.0 million.

In 2019, our net cash used in investing activities was RMB195.6 million, primarily attributable to (i) payment for purchases of property, plant and equipment of RMB78.0 million due to the expansion of second phase of our Zhangjiakou Plant; (ii) payment for the purchase of intangible assets of RMB60.1 million; and (iii) purchase of land use right of RMB39.4 million due to the expansion of our production lines in Zhangjiakou.

Financing Activities

For the nine months ended September 30, 2022, we generated net cash from financing activities of RMB91.6 million, primarily attributable to proceeds from bank borrowings of RMB178.4 million, partially offset by the repayment of bank borrowings of RMB102.8 million.

For the six months ended June 30, 2022, our net cash generated from financing activities was RMB59.6 million, primarily attributable to proceeds from bank borrowings of RMB126.1 million, partially offset by the repayment of bank borrowings of RMB59.1 million.

In 2021, our net cash generated from financing activities was RMB498.2 million, primarily attributable to (i) contribution from the non-controlling shareholders upon additional capital injections of subsidiaries of RMB384.0 million; (ii) proceeds of RMB195.2 million through our follow-on equity offering on the SSE STAR Market; and (iii) proceeds from bank borrowings of RMB99.8 million, partially offset by the repayment of bank borrowings of RMB152.4 million.

In 2020, our net cash generated from financing activities was RMB1,325.8 million, primarily attributable to (i) funds raised from the SSE STAR Market of RMB1,224.7 million; (ii) proceeds from bank borrowings of RMB175.4 million, and (iii) contribution from the non-controlling shareholders upon additional capital injections of subsidiaries of RMB61.0 million, partially offset by the repayment of bank borrowings of RMB110.0 million.

In 2019, our net cash generated from financing activities was RMB444.8 million, primarily attributable to (i) net proceeds raised on NEEQ through private offering of RMB295.2 million; (ii) proceeds from bank borrowings of RMB153.0 million; and (iii) contribution from the non-controlling shareholders upon additional capital injections of subsidiaries of RMB137.3 million, partially offset by repayment of bank borrowings of RMB119.0 million.

Measures to improve our cash flow position and cash conversion cycle

During the Track Record Period, we had negative cash flows from operating activities of RMB179.2 million, RMB203.0 million, RMB92.4 million and RMB20.1 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, as we incurred significant operating expenses, including research and development expenses, selling and distribution expenses, general and administrative expenses to develop new fuel cell systems and promote our products. In the future, we expect to continue to improve our net operating cash outflows position by taking advantage of (i) our continuous revenue growth fueled by increasing orders, our customer expansion, geographical expansion and enhancing marketing effort; (ii) our improved operating leverage as we expect our revenue growth to exceed the increase in expenses gradually; and (iii) our improved and refined management of our working capital.

To improve and refine our management of working capital and improve our cash conversion cycle, we will continue to leverage our leading position to negotiate more attractive contractual terms with our customers and suppliers and implement more stringent credit term review and approval procedures. To turn around our net operating cash flows, we have extended our payment period with a supplier from six months to 12 months by using long-term notes. We also increased our efforts in collecting payments from customers and provided rebates to certain customers as incentives for settling their invoice with us. In the future, we plan to develop relationships with more customers of sound credit profile. We also expect to collect our trade receivables in a more efficient manner and have implemented relevant measures, such as implementing sales and collection policy which includes measures to perform on-going credit evaluation of financial conditions of our customers, assessing the potential customer's credit quality at the early stage of entering sales contracts, collecting basic information and building customer profiles, and considering the customer's payment history and any unsettled amount with us at the time. See "— Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables — Trade Receivables Turnover Days".

In addition, we will continue to impose strict inventory control policies to monitor and improve our production planning and inventory turnover days. For example, our procurement department will work closely with our production department and sales department to forecast our future needs of raw materials and consumables based on existing orders, production lead time and expected delivery time. We will also accelerate the localization of raw materials and core components to shorten our delivery lead time, which would enable us to better control and flexibility in production planning.

We believe the above measures are effective in improving our cash conversion cycle as (i) our cash conversion cycle remained relatively stable at 468 days in 2020 and 469 days in 2021 despite the continuous expansion of our business; and (ii) our trade receivable turnover days have slightly decreased in 2021, as compared to that of 2020.

In light of the foregoing, our Directors are of the view that we will have positive cash flows from operating activities in the medium term, assuming there are no changes in extrinsic factors that would materially influence the hydrogen fuel cell industry and fuel cell market in China generally or us specifically such as evolvement of COVID-19 in China.

Working Capital

Taking into consideration the anticipated cash flows from our operations, cash and cash equivalents, banks and other borrowings from banks and other financial institutions available to us and the estimated net proceeds from the Global Offering, our Directors confirm, and the Joint Sponsors concur with our Directors that, we have sufficient working capital for the next 12 months from the date of this prospectus.

Net Current Assets

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)
CURRENT ASSETS					
Inventories	204,653	172,554	260,360	295,008	408,648
Trade and bills receivables	676,744	935,912	844,369	779,493	916,437
Contract assets	18,731	25,661	25,785	26,014	33,641
Prepayments, deposits and other receivables	78,885	74,919	107,686	123,053	144,198
Financial assets at fair value through profit or loss	—	50,000	222,170	374,082	90,949
Restricted and pledged bank deposits	2	91,597	51,318	30,524	24,708
Cash and cash equivalents	201,537	965,929	804,967	633,017	675,618
Total current assets	**1,180,552**	**2,316,572**	**2,316,655**	**2,261,191**	**2,294,199**
CURRENT LIABILITIES					
Trade and bills payables	205,977	261,581	313,345	319,859	416,278
Other payables and accruals	112,515	57,726	116,125	109,094	120,757
Contract liabilities	7,075	2,923	5,772	7,615	14,181
Tax payable	9,917	12,614	2,020	197	17
Bank borrowings — amount due within one year	105,000	150,382	117,825	165,273	186,886
Lease liabilities	11,063	6,475	6,931	5,246	8,043
Total current liabilities	**451,547**	**491,701**	**562,018**	**607,284**	**746,162**
NET CURRENT ASSETS	**729,005**	**1,824,871**	**1,754,637**	**1,653,907**	**1,548,037**

As of December 31, 2019, 2020 and 2021, June 30, 2022 and October 31, 2022, the net current assets amounted to RMB729.0 million, RMB1,824.9 million, RMB1,754.6 million, RMB1,653.9 million and RMB1,548.0 million, respectively.

Our total current assets recorded a significant growth from RMB1,180.6 million as of December 31, 2019 to RMB2,316.7 million as of December 31, 2021 and slightly decreased to RMB2,261.2 million as of June 30, 2022 and RMB2,294.2 million as of October 31, 2022, whilst our total current liabilities increased from RMB451.5 million as of December 31, 2019 to RMB562.0 million as of December 31, 2021, slightly increased to RMB607.3 million as of June 30, 2022 and further increased to RMB746.2 million as of October 31, 2022. The increase in the current assets outweighed the increase in the current liabilities from 2019 to 2021 was mainly due to our listing on the SSE STAR Market, continued business expansion resulting in increase in trade and bills receivables and cash and cash equivalents.

Our net current assets increased from RMB729.0 million as of December 31, 2019 to RMB1,824.9 million as of December 31, 2020, mainly due to (i) an increase in cash and cash equivalents of RMB764.4 million resulted from our operations, and the proceeds from our equity financing on the SSE STAR Market in August 2020; and (ii) an increase in trade and bills receivables of RMB259.2 million in connection with our growing sales, partially offset by (i) an increase in trade and bills payables of RMB55.6 million; and (ii) an increase in short-term bank borrowings of RMB45.4 million.

Our net current assets decreased from RMB1,824.9 million as of December 31, 2020 to RMB1,754.6 million as of December 31, 2021, mainly due to (i) a significant increase in trade and bills payables of RMB51.8 million primarily due to our procurement of more raw materials in anticipation of production needs in the first half of 2022; and (ii) a significant increase in other payable and accruals of RMB58.4 million, primarily due to the increase in salary payables, payable of purchase of property, plant and equipment and the listing expense incurred for our Global Offering.

Our net current assets slightly decreased from RMB1,754.6 million as of December 31, 2021 to RMB1,653.9 million as of June 30, 2022, mainly due to (i) a decrease in cash and cash equivalents of RMB172.0 million in daily operation; (ii) a decrease in trade and bills receivables of RMB64.9 million due to our increasing effort to collect outstanding receivables and resolve overdue issues in a timely manner; and (iii) an increase in bank borrowings of RMB47.4 million due to our business expansion and increased need for working capital loans. This was partially offset by (i) an increase in financial assets at fair value through profit or loss of RMB151.9 million; (ii) an increase in inventory of RMB34.6 million because we procured more raw materials to meet the increasing market demand for our products; and (iii) an increase in prepayments, deposits and other receivables of RMB15.4 million due to an increase in prepayments for raw materials and an increase in our value added tax recoverable as we have obtained more value-added input tax credit following our increased purchases of property, plant and equipment.

Our net current assets decreased from RMB1,754.6 million as of December 31, 2021 to RMB1,548.0 million as of October 31, 2022, mainly due to (i) a decrease of financial assets at fair value through profit or loss of RMB131.2 million due to maturity of wealth management products purchased and (ii) a decrease of cash and cash equivalents of RMB129.3 million, partially offset by an increase in inventories of RMB148.3 million, due to expected increasing market demand for our 80kW and 120 kW fuel cell systems.

SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

The following sets forth a breakdown of balances of our property, plant and equipment as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Machine equipment	88,962	51.3	125,644	43.4	165,198	36.8	184,459	37.8
Buildings	58,379	33.6	58,379	20.2	55,697	12.4	117,203	24.0
Construction in progress	13,114	7.6	91,031	31.4	191,330	42.6	150,773	30.9
Other equipment	8,394	4.8	7,380	2.6	7,656	1.7	7,577	1.5
Leasehold improvements	3,806	2.2	6,324	2.2	28,511	6.3	27,009	5.5
Motor vehicles	949	0.5	710	0.2	981	0.2	1,233	0.3
	173,604	**100.0**	**289,468**	**100.0**	**449,373**	**100.0**	**488,254**	**100.0**

Our property, plant and equipment increased from RMB173.6 million as of December 31, 2019 to RMB289.5 million as of December 31, 2020, and further increased to RMB449.4 million as of December 31, 2021 and RMB488.3 million as of June 30, 2022. The increases were primarily attributable to the expansion and construction of second phase of our Zhangjiakou Plant from early 2020 and our increased purchases of production and testing equipment to facilitate our product upgrades and R&D activities.

Intangible Assets

Our intangible assets consist of software, patent and development costs. Our intangible assets increased by 87.1% from RMB73.1 million as of December 31, 2019 to RMB136.8 million as of December 31, 2020, and further increased by 49.9% to RMB205.1 million as of December 31, 2021 and slightly increased to RMB212.1 million as of June 30, 2022. The increase was primarily due to the increases in our development cost and patent, which were in line with our enhanced R&D activities and increased R&D expense capitalized during the Track Record Period.

Impairment test

Intangible assets were tested for impairment and development costs were allocated for impairment testing purpose to three cash generating units ("**CGU**"), the Beijing SinoHytec CGU, the SinoHytec Power CGU and the Shanghai SinoFuelCell CGU (collectively, the "**CGUs**"). The recoverable amounts of the CGUs have been determined by a value-in-use calculation based on cash flow forecasts derived from the most recent financial budgets and estimated future cash flows covering a 5-year period and with the residual period using growth rate of 2% approved by the directors of our Company.

The key assumptions used for recoverable amount calculations of each CGU are as follows:

	As at December 31,		
Beijing SinoHytec CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	29%	26%	26%
Pre-tax discount rate	14.8%	15.0%	15.1%

	As at December 31,		
SinoHytec Power CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	5%	17%	25%
Pre-tax discount rate	14.8%	15.0%	15.1%

	As at December 31,		
Shanghai SinoFuelCell CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	11%	20%	26%
Pre-tax discount rate	14.8%	15.0%	15.1%

Impact of possible changes in key assumptions

The recoverable amount of Beijing SinoHytec CGU is estimated to exceed its carrying amount at December 31, 2019, 2020 and 2021 by approximately RMB500 million, RMB300 million and RMB200 million, respectively.

The recoverable amount of SinoHytec Power CGU is estimated to exceed its carrying amount at December 31, 2019, 2020 and 2021 by approximately RMB100 million, RMB300 million and RMB200 million, respectively.

The recoverable amounts of Shanghai SinoFuelCell CGU are estimated to exceed its carrying amount at December 31, 2019, 2020 and 2021 by approximately RMB200 million, RMB100 million and RMB300 million, respectively.

Considering there was still sufficient headroom based on the assessment, the directors of our Company do not believe that a reasonably possible change in key assumptions would cause the carrying amount of each individual asset to exceed its respective recoverable amount.

The recoverable amount of each CGU would equal its carrying amount if each key assumption was to change as follows with all other variables held constant:

	As at December 31,		
Beijing SinoHytec CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	24%	15%	16%
Pre-tax discount rate	28%	20%	18%

	As at December 31,		
SinoHytec Power CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	0%	12%	22%
Pre-tax discount rate	19%	25%	19%

	As at December 31,		
Shanghai SinoFuelCell CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	6%	18%	18%
Pre-tax discount rate	60%	23%	18%

Interests in Associates

Our interests in associates increased from RMB75.1 million as of December 31, 2019 to RMB130.3 million as of December 31, 2020, and further increased to RMB191.0 million as of December 31, 2021 and slightly decreased to RMB187.7 million as of June 30, 2022. The follow table sets forth our interests in associates in the Track Record Period:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Cost of unlisted investment	79,705	123,064	170,464	170,464
Share of post-acquisition (loss)/profits and other comprehensive (expense)/income	(4,546)	7,248	20,518	17,277
Impairment loss recognized	(43)	(43)	—	—
	75,116	130,269	190,982	187,741

The increase from 2019 to 2021 was primarily due to our continuing investments in associates to capitalize on potential synergies in R&D collaborations. The slight decrease as of June 30, 2022 was primarily due to the share of loss of our associates during the six months ended June 30, 2022. Our major associates included United Fuel Cell, Shanghai Maximfuelcell, Zhangjiakou Haiper, Jiaotou Hydrogen, Air Sinohytec, Beijing Swift New Energy Technology Co., Ltd. and Beijing Shuimu Pilot Venture Capital Center (Limited Partnership). Together with our partners, we have incorporated Air Sinohytec and United Fuel Cell in 2020, in which we owned 35.0% and 15.0% of the relevant shareholdings, respectively. In 2021, we have further incorporated Swift New Energy and Pilot Venture Capital with our partners, in which we owned 30.0% and 9.23% of the relevant shareholdings, respectively. See "History, Development and Corporate Structure — Our Joint Venture and Associate Companies".

Interest in a Joint Venture

Our interests in a joint venture were nil, nil, RMB128.2 million and RMB120.3 million as of December 31, 2019, 2020 and 2021 and June 30, 2022. Pursuant to our joint venture agreement with Toyota in March 2021, we established Toyota Sinohytec and held 50.0% of its equity interest. The following table sets forth our interest in Toyota Sinohytec:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Cost of investment in a joint venture	—	—	132,913	132,913
Share of post-acquisition loss and other comprehensive expense, net of dividends received	—	—	(4,730)	(12,631)
	—	—	128,183	120,282

Equity Instruments at Fair Value through Other Comprehensive Income

We made long-term investment in an unlisted company, Hozonauto Co. Ltd and held 3.23%, 1.93%, 1.19% and 1.19% of its equity interest as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The fair value of such investment amounted to RMB62.1 million, RMB62.1 million, RMB170.9 million and RMB218.8 million as of each relevant date. The balance increased from RMB62.1 million as at December 31, 2020 to RMB170.9 million as of December 31, 2021, primarily due to the increase in net assets value of Hozonauto Co. Ltd resulting from (i) increase in the business scale and (ii) capital injection by new investors during the year. The balance further increased from RMB170.9 million as of December 31, 2021 to RMB218.8 million as of June 30, 2022 was mainly due to the recovery in market conditions at the relevant time. We classified such unlisted equity investments as equity investments designated at fair value through other comprehensive income because neither our investment in Hozonauto Co. Ltd is held for trading nor the contingent consideration was recognized in a business combination to which IFRS 3

"Business Combinations" applies. See note 23a to the Accountants' Report set out in Appendix I to this prospectus and "— Critical Accounting Policies, Judgments and Estimates".

Inventories

Our inventories primarily consist of raw materials and consumables, work in progress and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Raw materials and consumables	82,171	40.2	85,499	49.5	89,955	34.6	115,577	39.2
Work in progress	63,049	30.8	28,621	16.6	62,333	23.9	74,656	25.3
Finished goods	59,433	29.0	58,434	33.9	108,072	41.5	104,775	35.5
	204,653	**100.0**	**172,554**	**100.0**	**260,360**	**100.0**	**295,008**	**100.0**

Our raw materials and consumables were RMB82.2 million, RMB85.5 million, RMB90.0 million and RMB115.6 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Such increase was primarily because we procured more raw materials to meet the increasing market demand for our products.

Meanwhile, our work in progress decreased from RMB63.0 million as of December 31, 2019 to RMB28.6 million as of December 31, 2020. We had relatively higher balance of work in progress as of December 31, 2019 to cope with the expected sales to Beiqi Foton in March and September 2020 based on its delivery requirements. We had relatively higher balance of work in progress as of December 31, 2021 and June 30, 2022 due to our unfinished orders for logistic trucks with a major customer and the progress of which was subject to our production capacity limits and the order delivery arrangements of the customer. We expected to finish the orders in the second half of 2022. Our finished goods remained relatively stable at RMB59.4 million as of December 31, 2019 and RMB58.4 million as of December 31, 2020. As of December 31, 2021 the balance of finished goods increased significantly to RMB108.1 million as we would deliver certain sales orders in the first half of 2022. We maintained relatively stable balance of RMB104.8 million as of June 30, 2022 to cater the orders delivery arrangements of our customers in the second half of 2022.

Inventory Turnover Days

The following table sets forth the inventory turnover days for the year indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Average inventory turnover days[(1)]	**188**	**212**	**201**	**305**

(1) Average inventory turnover days equal to the average of the opening and closing inventories balances of the relevant year/period divided by the cost of sales of the relevant year/period multiplied by 365 days in 2019, 366 days in 2020, 365 days in 2021 and 181 days for the six months ended June 30, 2022.

In 2019, 2020 and 2021 and the six months ended June 30, 2022, our average inventory turnover days were 188 days, 212 days, 201 days and 305 days, respectively. The significant increase in the turnover days in the six months ended June 30, 2022 was primarily due to an increase in inventory in anticipation of an increase in our sales of fuel cell systems in the third and fourth quarter of 2022, based on the overall market condition and development of the industry and orders on hands.

In general, we adopt an "on-demand manufacturing" approach for the batch production of fuel cell systems where we start manufacturing only after a customer order is received and confirmed. Our procurement of inventories is primarily based on customer orders to minimize inventory, and we also impose strict inventory control policies to monitor our inventory levels. However, (i) given the supply chains associated with the PRC fuel cell system market are relatively less developed compared to internal combustion engine and battery electric vehicle markets, we need to procure certain key parts and components, such as MEA and DC-to-DC converters, in advance to ensure our committed product delivery date to our customers; (ii) as many of our components and spare parts are customized and the availability of spare parts for older model of our products is limited in the market, we are required to maintain a sufficiently large number of spare parts to cover repair and maintenance needs from our customers during our product warranty period which ranges from five to eight years; (iii) to provide guaranteed quality of service and to ensure that there would be no fault, defect and error in our products during Beijing 2022 Olympic Winter Games, we had increased the number of spare fuel cell systems, spare parts and components relating to our products provided to Beijing 2022 Olympic Winter Games, on top of our usual number of spare parts and products; and (iv) to streamline the development process of our fuel cell systems, we have increased the number of prototype fuel cell systems for the purpose of R&D during the Track Record Period. As a result, our inventory turnover days were relatively long during the Track Record Period.

We have implemented stringent control on our inventory level, for instance our production of fuel cell systems, and procurement of spare parts and components mainly depends on our sales volume of products in the previous years, and our sales orders to be delivered in a particular year. As to the inventories associated with low power output products, we may sell to customers with discount, and/or dismantle them as parts and components for reusing in high power output products, if applicable.

We assess the net realizable value of the inventories as well as the required amount of write-down of inventories at the end of each reporting period, which involves significant judgment on determination of the estimated selling price of our products in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on our current market condition, contract price of products if they are held for particular contracts and the historical experience of distributing and selling products of similar nature. The write-down of inventories is calculated based on the net realizable value of the inventories, which is affected by multiple factors, including but not limited to the aging of inventories and the estimated demand of the respective product, etc. In particular, the net realizable value of the inventories decreases along with the aging of inventories and the change in market demand of particular product.

Having considered (i) our historical sales performance, in particular, during the Track Record Period, we had not encountered any material impairment loss that have materially and adversely affected our business operations caused by slow-moving inventories; (ii) the reduction in average selling prices of fuel cell systems during the Track Record Period, we have increased our provision for inventories from 7.3% of the gross carrying amount of inventories as of December 31, 2019 to 22.7% of that as of June 30, 2022; (iii) the decrease in demand for low power output products, we have increased our write-down of inventories associated with low power output products from 6.4% of the gross carrying amount of inventories of low power output products as of December 31, 2019 to 46.0% of that as of June 30, 2022; and (iv) that our management have discussed with our Reporting Accountants as to whether the estimation of write-down of inventories was sufficient and not excessive, which our Reporting Accountants have designed and performed procedures to evaluate the judgment and estimates adopted by our management for determining the net realizable value of inventories and write-down of inventories at the end of each reporting period and assessed whether there was an indication of management bias when recognizing write-down of inventories, and concluded that the estimation of write-down of inventories by our management was sufficient and not excessive, we believe we have made sufficient write-down of our inventories, and the Joint Sponsors have no doubt on the reasonableness of such Directors' view.

As of October 31 2022, inventories of RMB167.7 million, representing approximately 56.8% of our inventories as of June 30, 2022 have been utilized or sold.

The following table sets forth the aging analysis of our inventories during the Track Record Period:

	As of June 30, 2022					
	Within 90 Days	90–180 Days	180 Days–1 Year	1–2 Years	More than 2 years	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Raw materials	66,670	17,074	20,965	14,245	26,320	145,274
Work in progress	54,391	15,465	7,978	1,684	4,167	83,685
Finished goods	32,159	10,704	44,241	39,652	26,024	152,780
Total Inventories	153,220	43,243	73,184	55,581	56,511	381,739
Less: Write-down of inventories	(6,639)	(5,163)	(11,688)	(18,690)	(44,551)	(86,731)
Carrying value	146,581	38,080	61,496	36,891	11,960	295,008

	As of December 31, 2021					
	Within 90 Days	90–180 Days	180 Days–1 Year	1–2 Years	More than 2 years	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Raw materials	57,906	10,552	9,677	13,064	20,280	111,479
Work in progress	38,106	15,451	6,955	3,656	2,970	67,138
Finished goods	51,129	16,885	27,349	16,762	30,360	142,485
Total Inventories	147,141	42,888	43,981	33,482	53,610	321,102
Less: Write-down of inventories	(1,634)	(4,173)	(3,317)	(13,871)	(37,747)	(60,742)
Carrying value	145,507	38,715	40,664	19,611	15,863	260,360

	As of December 31, 2020					
	Within 90 Days	90–180 Days	180 Days–1 Year	1–2 Years	More than 2 years	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Raw materials	45,299	10,765	11,069	13,099	17,694	97,926
Work in progress	7,186	13,435	6,395	2,959	249	30,224
Finished goods	4,001	9,212	18,212	38,264	2,401	72,090
Total Inventories	56,486	33,412	35,676	54,322	20,344	200,240
Less: Write-down of inventories	(413)	(479)	(2,042)	(15,073)	(9,679)	(27,686)
Carrying value	56,073	32,933	33,634	39,249	10,665	172,554

	As of December 31, 2019					
	Within 90 Days	90–180 Days	180 Days–1 Year	1–2 Years	More than 2 years	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Raw materials	50,531	8,893	4,309	15,122	4,922	83,777
Work in progress	28,526	2,368	20,304	11,608	245	63,051
Finished goods	32,739	16,517	8,797	8,860	7,128	74,041
Total Inventories	111,796	27,778	33,410	35,590	12,295	220,869
Less: Write-down of inventories	(1,712)	(682)	—	(6,534)	(7,288)	(16,216)
Carrying value	110,084	27,096	33,410	29,056	5,007	204,653

Trade and Bills Receivables

The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Trade receivables	698,996		1,017,379		1,058,849		1,077,416	
Less: allowance for expected credit losses	(81,995)		(174,288)		(339,070)		(333,738)	
	617,001	91.2	843,091	90.1	719,779	85.2	743,678	95.4
Bills receivables	59,903		92,905		124,590		35,815	
Less: allowance for expected credit losses	(160)		(84)		—		—	
	59,743	8.8	92,821	9.9	124,590	14.8	35,815	4.6
	676,744	**100.0**	**935,912**	**100.0**	**844,369**	**100.0**	**779,493**	**100.0**

Our trade receivables increased significantly by 45.5% from RMB699.0 million as of December 31, 2019 to RMB1,017.4 million as of December 31, 2020, primarily due to the continuing expansion of our business, and delayed payments from some customers after the COVID-19 outbreak. Our trade receivables slightly increased from RMB1,017.4 million as of December 31, 2020 to RMB1,058.8 million as of December 31, 2021 and slightly increased to RMB1,077.4 million as of June 30, 2022, primarily due to our increasing effort to collect outstanding receivables and resolve overdue issues in a timely manner.

We believe that the provisions made for impairment of trade receivables and overdue trade receivables during the Track Record Period was adequate, on the basis that (i) we closely review the balances of trade receivables and any overdue balances on an ongoing basis and assess the collectability of overdue balances; (ii) we estimate the loss allowances for trade receivables by assessing the expected credit losses, which are based on our historical credit loss experience, adjusted for factors that are specific to our customers on a case-by-case basis, and an assessment of both the current and forecast general economic conditions at the end of each reporting period during the Track Record Period; and (iii) we monitor the collections of trade receivables and retrospectively review the accounting estimate of prior periods to identify any material discrepancies. Where the accounting estimate is different from our original estimate, such difference will be reflected in the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is adjusted. We keep assessing the expected credit losses of our trade receivables when they are outstanding.

According to the CIC Report, as the fuel cell vehicle industry in China is currently at its early development stage, the industry remains to be heavily influenced by the changes in government subsidy policies. Hence, it is not uncommon for vehicle manufacturers to have a stronger bargaining power when requiring longer time to settle their payments.

During the Track Record Period, our allowance for expected credit losses on trade receivables were RMB82.0 million, RMB174.3 million, RMB339.1 million and RMB333.7 million, respectively, the increase in allowance for expected credit losses were primarily due to certain of our major customers had significant amounts of outstanding trade receivable balance and we made more impairment allowance on these trade receivables.

Meanwhile, our bills receivables increased from RMB59.7 million as of December 31, 2019 to RMB92.8 million as of December 31, 2020, and further increased to RMB124.6 million as of December 31, 2021. The substantial increase in our bills receivables were primarily due to the increase in settlement by our customers through bills. Our bills receivables decreased significantly from RMB124.6 million as of December 31, 2021 to RMB35.8 million as of June 30, 2022 primarily due to the redemption of bills by our Group.

In general, in addition to wire transfer, our customers would also settle our invoices by bills. Such bills, once received by us, may be held to their maturity dates to receive their full value, or endorsed by us to settle our payables to suppliers. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we continued to recognize the full carrying amounts of bills receivables endorsed to certain of its suppliers to settle the trade payables due to such suppliers amounting to RMB29.7 million, RMB3.0 million, RMB17.9 million and RMB33.9 million, respectively, because the risks and rewards relating to these receivables have not been transferred. The relevant payables are accounted for as "endorsed bills" under "other payables and accruals".

The table below sets forth an aging analysis of our net trade and bills receivables based on revenue recognition date and net of impairment, as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Within 90 days	434,944	64.3	492,948	52.7	349,635	41.4	203,449	26.1
90 to 180 days	19,641	2.9	67,081	7.2	230,493	27.3	105,060	13.5
180 days to one year	73,076	10.8	14,246	1.5	110,504	13.1	357,112	45.8
One year to two years	126,297	18.6	278,737	29.8	90,748	10.7	77,168	9.9
Over two years	22,786	3.4	82,900	8.8	62,989	7.5	36,704	4.7
	676,744	**100.0**	**935,912**	**100.0**	**844,369**	**100.0**	**779,493**	**100.0**

Our trading terms with customers are mainly on credit. The credit period is generally within 90 days. We seek to maintain strict control over our outstanding receivables to minimize credit risk. All bills which we received are with a maturity period of less than one year. In addition, as part of the Group's sales and collection policy, we have closely communicated with our customers to expedite the settlement and shorten the turnover days. Moreover, we may implement additional measures such as requesting for prepayment subject to due diligence on our existing and potential new customers' credit standing. On the other hand, we have provided favorable payment terms as incentives for customers such as providing a discount of typically 1.5% for payment in cash instead of bills where some of our customers have opted for payment in cash eventually.

As of December 31, 2020, our trade and bills receivables aging from one year to two years had a substantial increase compared to December 31, 2019, primarily due to a significant amount of outstanding balance due from two of our major customers (a) Shanghai Shenlong, whose parent company is believed to be in financial difficulties after 2019, and (b) another major customer, which suffered from cashflow constraint due to its weak operating results. As of the same date, our trade and bills receivables aging from 90 to 180 days had a substantial increase compared to December 31, 2019, primarily due to (i) our revenue for the third quarter in 2020 increased significantly compared to the same period in 2019, (ii) we received bills with a six-month maturity from a major customer, and (iii) delayed payments from certain customers due to the COVID-19 outbreak.

As of December 31, 2021, our trade and bills receivables aging from 90 to 180 days and 180 days to one year increased significantly compared to December 31, 2020 because our revenue in the second and third quarters of 2021 increased significantly, and we normally gave our customers three-month credit period and the customers may settle their payments by bills when the balance becomes due. As of the same date, our trade and bills receivables aging from 180 days to one year increased significantly compared to December 31, 2020 because certain of our customers have experienced working capital constraints, due to prolonged settlement of their downstream customers or subsidies from the government. However, our trade and bills receivables aging from one to two years decreased significantly as we received payments from a major customer and our trade and bills receivables aging over two years decreased as we made more impairment allowance on the trade receivables due from some of our major customers.

As of June 30, 2022, our trade and bills receivable aging within 90 days decreased significantly compared to December 31, 2021 because the sales in the second quarter of 2022 was lower than that in the fourth quarter of 2021. As of the same date, our trade and bills receivable aging from 90 days to 180 days decreased significantly compared to December 31, 2021 primarily as the sales in the first quarter of 2022 was lower than that in the third quarter of 2021. Moreover, our trade and bills receivables aging from 180 days to one year increased significantly compared to December 31, 2021 because certain of our customers have experienced working capital constraints, due to prolonged settlement of their downstream customers or subsidies from the government.

Trade Receivables Turnover Days

The following table sets forth the number of turnover days for our trade receivables for the years or period indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Trade receivables turnover days[(1)]	**341**	**467**	**453**	**492**

(1) Trade receivables turnover days equal to the average of the opening and closing balances of net trade receivables of the relevant year or period divided by the revenue of the relevant year or period multiplied by 365 days in 2019, 366 days in 2020, 365 days in 2021 and 181 days for the six months ended June 30, 2022.

Our trade receivables turnover days were 341 days, 467 days, 453 days and 492 days in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The slow process of granting government subsidies for new energy vehicles is one of the reasons for long outstanding balances due from our customers during the Track Record Period. The substantial increase in 2020 was primarily due to (i) an increase in trade receivables due to the continuing expansion of our business and significant amounts of outstanding balance due from two of our major customers; and (ii) the delayed payments from some customers after the COVID-19 outbreak. The slight decrease in trade receivables turnover days in 2021 was due to our increasing efforts in payment collections and resolving overdue issues in a timely manner. The increase in trade receivables turnover days for the six months ended June 30, 2022 was due to the seasonality impact of our business operation, our revenue in the first half of the year is generally less than the second half of the same year.

We closely monitor the recoverability of our outstanding trade receivables. We have adopted the following measures to monitor and control our outstanding receivables:

- keeping records of overdue receivables and requiring sales personnel to communicate with customers regarding the payment plans in advance;
- sending payment reminders to customers again before the balance is due;

- undertaking various measures to collect overdue payments, including: (i) negotiate with customers to formulate payment plans and monitor the implementation; (ii) send overdue payment notices to customers; and (iii) consider initiating legal proceedings as necessary; and
- maintaining and regularly updating a list of defaulting customers and designating personnel to collect overdue payments.

To minimize our credit risks, we also implemented sales and collection policy which includes measures to perform on-going credit evaluation of financial conditions of our customers. For both of our new and existing customers, we assess the potential customer's credit quality at the early stage of entering sales contracts and our sales department is responsible for assessing the risks and credits of the customers. For a new customer, as part of the customer intake process, the staff from our sales department would collect basic information and build customer profiles to include new customers' business operation conditions, financial conditions and credit conditions and assess their credit risk based on the information collected. In particular, our staff from the sales department would prepare a new customer application form that includes the customer's scope of business operations, market position in commercial vehicle market, purpose of purchase and potential business risks associated. Before we enter a new sales contract with both of our new and existing customers, we internally reviewed and confirmed the order with our technicians, R&D personnel and corporate staff such as finance, sales and legal. Approvals from relevant departments are required to enter sales contracts. For existing customers, we also consider the customer's payment history and any unsettled amount with us at the time. We are vigilant and update our assessments based on our customers' business operations and financial performance. We obtain information of our customer's operation and finance performance via public domain and regular communications with them. Our management of the sales and finance departments also conducts review at least once a month on the credit limits that were assigned to each of our existing customers to ensure the customer's business and finance conditions are properly reflected.

When a payment is due, we take further appropriate follow-up actions based on our previous assessments and Director's review, including continuous communications with our customers, demanding due payments at least quarterly and taking legal actions when necessary. Our sales team is responsible for following up with our customers periodically regarding trade receivables, and closely monitors the progress and outcome of such follow-ups as it is one of their KPI. They are responsible for notifying customers to make timely payments until receive confirmation from our finance department that such payments have been timely and duly made.

Our staff from the finance department also reviews settlement amounts every month and the age of trade receivables and prepares a list of customers for sales staff to take further actions from time to time. If the outstanding payments cannot be recovered after exhausting all proper measures, the staff from the sales department would notify the finance department. The staff from finance department would review and obtain approvals from management of the department and relevant parties to make any loss allowance for the long overdue payments when necessary.

General conditions for loss allowance for the payments include bankruptcy or cancelation of business registration, judicial judgment or proceedings and write-offs in situations where we are also a debtor of the customer. We also decided loss allowance on a case-by-case basis by considering a customer's current conditions as mentioned and market conditions at the time.

During the Track Record Period, we applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL and individually assessed three customers that had long outstanding payments with us for allowance for credit losses. Please refer to notes 4.15, 5.2 and 39 to the Accountants' Report set out in Appendix I to this prospectus for detail.

Impairment Provision

With respect to the adequacy of our impairment provisions, our accounting team, together with the sales team regularly conduct a recoverability analysis on the level of recoverability of overdue trade receivables, and make impairment provisions for those which we deem unable to recover. We group long-term and short-term trade receivables based on shared credit risk characteristics and estimate the expected credit loss rate of trade receivables on a collective basis based on historical credit loss experience (with adjustments for forward-looking information). For trade receivables past due over four years, we consider that we are unlikely to receive the outstanding contractual amounts and will provide full impairment provision for these receivables. We apply the simplified approach in calculating expected credit losses and use a provision matrix to calculate expected credit losses for trade receivables. At each reporting date, the historical expected default rates are updated and changes in the forward-looking estimates are analyzed.

Meanwhile, when one or more of the following events have occurred, we consider the credit risk characteristics on these trade receivables distinguishable from others and make impairment provisions of these trade receivables on an individual basis.

- the trade receivables are past due and we expect that the overdue receivables cannot be collected or we cannot agree to a repayment plan with our customers;
- the customers have significant financial difficulties; or
- legal proceedings against the customers relating to certain sales contracts will arise or have arisen based on our evaluation of the recoverability of the trade receivables.

During the Track Record Period, we made significant provisions to the outstanding trade receivables due from two customers because we believe the payments for the sales of fuel cell systems to the two customers may not be fully recoverable, based on our individual assessment of their credit risks based on the negative news available in the public domain and the payment history of these customers.

Trade Receivables Due From Shanghai Shenlong

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions, except percentages)			
Trade receivables	297.2	289.7	282.1	282.1
Subsequent settlement amounts as of October 31, 2022	15.4	7.9	—	—
Percentage of subsequent settlements (%)	5.2	2.7	—	—
Impairment provisions made	46.8	115.9	253.9	253.9
Expected credit loss rate (%)	15.7	40.0[(1)]	90.0[(2)]	90.0[(2)]

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Revenue generated from Shanghai Shenlong	**193,246**	**488**	**483**	**—**

(1) We determined the expected credit loss rate of 40% for balance due from Shanghai Shenlong as of December 31, 2020 with reference to the estimated recovery of trade debts upon the receipt of government subsidies from production by Shanghai Shenlong.

(2) After considered (i) there was no substantive improvement on the business and financial conditions of such customer; (ii) the long aging; and (iii) the subsequent settled amount by such customer, we determined the expected credit loss rate of 90% for balance due from Shanghai Shenlong as of December 31, 2021 and June 30, 2022.

Having considered (i) the parent company of Shanghai Shenlong ("**Shanghai Shenlong ParentCo**") failed to pay its interest payments on medium-term notes on time due to liquidity difficulties since 2019; (ii) the deteriorated financial performance of Shanghai Shenlong ParentCo since 2020; (iii) the shares of Shanghai Shenlong ParentCo's controlling shareholder have been frozen and seized since 2019; and (iv) the relatively low subsequent settlement made by Shanghai Shenlong, our Directors believed that the credit risk associated with Shanghai Shenlong has increased and therefore we gradually increased the expected credit loss rate on the relevant trade receivables which resulted in additional impairment provisions made during the Track Record Period. Furthermore, to minimize our credit risk, we also adopted a more prudent approach (such as more stringent payment arrangement and credit terms) when dealing with this customer. In 2020 and 2021, our sales to Shanghai Shenlong were RMB488,000 and RMB483,000, respectively. A majority of these sales were settled by this customer as of December 31, 2021. As of the Latest Practicable Date, we have completed and delivered all the orders to Shanghai Shenlong.

Trade Receivables Due From A Former Subsidiary of A Major Customer

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(RMB in millions, except percentages)			
Trade receivables	48.4	41.4	40.9	36.9
Subsequent settlement amounts as of October 31, 2022	11.5	4.5	4.0	—
Percentage of subsequent settlements (%)	23.8	10.9	9.8	—
Impairment provisions made	15.5	16.6	36.8	36.9
Expected credit loss rate (%)	32.0	40.0[1]	90.0[2]	100.0

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Revenue generated from this customer	**13,793**	—	—	—

(1) We determined the expected credit loss rate of 40% for balance due from a former subsidiary of a major customer as of December 31, 2020 with reference to the estimated recovery of trade debts upon the receipt of government subsidies from production by such customer.

(2) After considered (i) there was no substantive improvement on the business and financial conditions of such customer; (ii) the long aging; and (iii) the subsequent settled amount of RMB4.0 million by such customer, we determined the expected credit loss rate of 90% for balance due from a former subsidiary of a major customer as of December 31, 2021 and 100% as of June 30, 2022.

Having considered (i) the weak financial and operating results of this customer; and (ii) the relatively long aging of its trade receivable and low subsequent settlement made by such customer, our Directors believed that the credit risk associated with this customer has increased and therefore we gradually increased the expected credit loss rate on the relevant trade receivables which resulted in additional impairment provisions made during the Track Record Period. We did not have any transaction with such customer since 2020 and as of the Latest Practicable Date, we have completed and delivered all the orders to this customer.

Settlement plans

Our Directors believe that we have taken satisfactory measures to recover the outstanding amount of Shanghai Shenlong and the former subsidiary of a major customer. We have taken legal action of entrusting our PRC Legal Advisor to send demand letters to Shanghai Shenlong on January 25, 2022 to request the payments due based on contract terms. We demanded that the full payments be paid within 30 days of receiving the letters and liquidated damages of the payments be paid at 0.5% daily rate starting from the date Shanghai Shenlong received the letters, which was in accordance with the contract terms entered between us and the customer. We have also taken legal action to recover the outstanding amount by sending demand letters to the former subsidiary of a major customer to request the payments due based on contract terms and demand that the full payments be paid within 30 days of receiving the letters. As of the Latest Practicable Date, we have been in continuous communications with Shanghai Shenlong and the former subsidiary of a major customer through staff of the sales department. Since November 30, 2021 and up to June 30, 2022, we have received RMB4.0 million from Shanghai Shenlong and RMB4.0 million from the former subsidiary of a major customer.

As of October 31, 2022, RMB429.3 million, RMB721.1 million, RMB438.2 million and RMB63.1 million, representing 63.4%, 77.0%, 51.9% and 8.1% of our trade and bills receivables as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively, were subsequently settled.

During the Track Record Period, we normally determined impairment provisions in accordance with Expected Credit Loss ("**ECL**") model under IFRS 9 for relatively significant outstanding amount. In general, our management assesses potential customers' credit quality and defines credit limits by customer, and the credit limits assigned to each customer is regularly reviewed by our management. For details of our expected credit loss rate determined for customers other than the individually evaluated customers, see note 39(b) to the Accountants' Report set out in the Appendix I to this prospectus.

In particular, we also provided specific individual provisions to customers based on the assessments of their business operation condition, payment history with us, and material public negative information. During the Track Record Period, we did not write off any outstanding trade receivables but provided individual provisions for three customers, among which Shanghai Shenlong had an ECL rate of 40% as of December 31, 2020, 90% as of December 31, 2021 and June 30, 2022, and a former subsidiary of a major customer had an ECL rate of 40% as of December 31, 2020, 90% as of December 31, 2021, and 100% as of June 30, 2022. The Company made 100% provision to Zhejiang Haituo Information Technology Co., Ltd. ("**Zhejiang Haituo**") (浙江海拓信息科技有限公司) in 2019 due to the poor liquidity condition of this customer, and the amount of allowance for impairment was RMB1.8 million. Zhejiang Haituo has subsequently been liquidated in 2021.

Having considered our customers' business operation condition, payment history, the expected credit loss rate adopted by other companies in the industry, and the view of the Reporting Accountants that the provision of loss allowance is sufficient and not excessive, which was formed based on procedures designed and performed to evaluate the accuracy and sufficiency of the loss allowance provided for the trade and bills receivables by evaluating the judgment and estimates adopted by our management for determining the ECL rates for loss allowance at the end of each reporting period and assessing whether there was an indication of management bias when assessing expected credit losses, our Directors believe that the ECL rates during the Track Record Period were accurate and sufficient.

In addition to the information provided by the Directors, the Joint Sponsors have, among others, (i) reviewed the Group's customer credit risk control, receivable collection and provision policies, and discussed with the Company and the internal control consultant of the Company on the sufficiency of such policies; (ii) discussed with the Reporting Accountants and were advised that no material concerns were identified based on the procedures they had performed; and (iii) discussed with the Company on the settlement progress and plans on trade and bill receivables as of June 30, 2022. Based on the above due diligence works and having considered the work performed by the Directors and the Reporting Accountants, nothing has come to the Joint Sponsors' attention for them to cast doubt on the accuracy and sufficiency of the Group's expected credit losses.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss primarily represent our investments in wealth management products issued by various commercial banks in China and unlisted equity investment. The following table sets forth a summary of our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Non-current assets				
Unlisted equity investment at fair value				
— TL Chemical[(a)]	—	—	2,800	2,800
Current assets				
Wealth management products	—	50,000	222,170	374,082

(a) As disclosed in note 20(b) to the Accountants' Report set out in Appendix I to this prospectus, TL Chemical ceased to be an associate of the Group and the Group held 18.18% equity interest in TL Chemical as financial assets at FVTPL as of December 31, 2021.

In 2020 and 2021 and the six months ended June 30, 2022, we purchased wealth management products of RMB188.5 million, RMB672.0 million and RMB737.0 million, respectively. The increase in wealth management products we purchased for the year ended December 31, 2021 and the six months ended June 30, 2022 are mainly for the purpose of managing our surplus cash. The following table sets forth the changes of our wealth management products as of the dates indicated.

	As of December 31,			As of June 30,
Wealth Management Products	**2019**	**2020**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Balance at the beginning of the year or period	—	—	50,000	222,170
Additions	—	188,500	672,000	737,000
Total gains	—	520	3,408	5,638
Disposals	—	(139,020)	(503,238)	(590,726)
Balance at the end of the year or period	—	50,000	222,170	374,082

During the Track Record Period, majority of our wealth management products were principal-guaranteed deposits with variable rate of return based on the performance of underlying portfolio and issued by commercial banks in China. The maturity dates of these wealth management products ranged from 90 days to 273 days.

We purchased wealth management products of RMB737.0 million in the six months ended June 30, 2022, which included (i) four fixed deposits at China Merchants Bank totaling RMB120.0 million, at annual interest rates of 1.7% to 3.4%; (ii) three fixed deposits at Bank of Hangzhou totaling RMB90.0 million, at an annual interest rate of 3.3% to 3.6%; (iii) six structured deposits at Bank of Ningbo, totaling RMB360.0 million, at annualized rate of return in the range of 1.0% to 3.1%; (iv) one structured deposit at China Minsheng Bank in the amount of RMB50.0 million, at an annualized rate of return in the range of 1.65% to 3.35%; (v) one structured deposit at Bank of Communications in the amount of RMB56 million, at an annualized rate of return in the range of 1.6% to 3.0%; (vi) one structured deposit at Industrial and Commercial Bank of China in the amount of RMB18.0 million, at an annualized rate of 0.02%; (vii) a principal-guaranteed investment product offered by Guotai Junan Securities Co., Ltd. in the amount of RMB2 million, at an annualized rate of return ranging from 2.1% to 3.6% with the underlying investment in CSI 300 index; and (viii) one wealth management product with underlying investments in bonds, cash, non-standardized debt assets, and equities at Industrial Bank totaling RMB41.0 million, which had been redeemed at an actual annualized return rate of approximately 3.3%. The underlying portfolios of the structured deposits primarily consist of deposits and derivatives mainly linked to equities, interest rates, exchange rates, indices and commodities.

The purchase of such products was in line with the internal control measures we have implemented. Our internal control policy requires that before the purchase of wealth management products, we are required to submit applications for purchasing wealth management products which shall set out the details and risks of such products and obtain the approval from our management that with expertise in business and financial advisory. The purchase of principal-guaranteed wealth management products requires approval from our head of finance department and chief financial officer. The purchase of wealth management products which do not guarantee the repayment of principal requires approval from our head of finance department, chief financial officer, deputy general manager of finance department and the Chairman of the Board.

In particular, Ms. Song Haiying, our Executive Director, deputy general manager and chief financial officer with over 16 years of experience in finance industry, oversees our financial management. See "Directors, Supervisors and Senior Management". Furthermore, in October 2021, the Board approved to use any A shares idle proceeds to purchase the wealth management products up to the limit of RMB600 million under the conditions, among others, that it will not materially affect our business operation and those wealth management products should, among others, be low risk with high liquidity and have guaranteed payment of principal. According to our internal control policy, the purchase of wealth management products using unused proceeds from our A-share equity offerings requires (i) prior approval of the Board, (ii) advisory opinions from independent Directors, Supervisors and A-share sponsor and (iii) public announcements within two days of the Board's approval, detailing the purchase and that the conditions of the purchase has been satisfied. In addition, the investment in wealth management products after the Listing will be subject to the compliance with the requirements under Chapter 14 of the Listing Rules.

Our finance team would also have to assess each wealth management product against the need of our business development and potential risks in adherence to our internal control policies. The internal control measures include checking the relevant rates of return, investment risks, terms of the investment and whether the payment of principal and estimated return are guaranteed, examining whether the amounts are within the approved limit, and obtaining proper approval before the purchase of such wealth management products.

We perform treasury and cash management functions by taking into account our cash flows, working capital needs and risk tolerance levels. After making the purchase, we closely monitor the risks of our wealth management products by following the economic trends, interest rate changes, credit standing of the banks and other factors. We also actively follow up with banks to ensure we receive our returns on a timely basis, and in accordance with the agreements entered. Our finance and legal staff are responsible for ensuring proper actions would be taken in case any material terms of such agreements are not complied with. We may continue to invest in similar wealth management products in the future using our idle cash for treasury management purposes. We implemented during the Track Record Period, or will continue to implement, the following cash management and treasury policies:

- our Board is responsible for the overall planning and oversight of our investment activities;

- our finance department is responsible for the analysis and research of wealth management and other investment products, as well as the monitoring of such investment;

- our internal audit team is responsible for reviewing the approval status, implementation status, and cash management as well as verifying the accounting procedure;

- our investments in wealth management products could be made when we have surplus cash that is not required for our short-term working capital purposes and shall not exceed the amount authorized by our Board; and

- we mainly make investments in short-term wealth management products with low risk, high liquidity and reasonable returns, which primarily consist of principal-protected products issued by reputable commercial banks.

Prepayments, Deposits and Other Receivables

The following table sets forth a breakdown of our prepayment, deposits and other receivables as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Non-current assets								
Prepayments	41,793	34.3	34,146	30.4	30,692	21.9	35,399	22.3
Others	1,026	0.8	3,139	2.8	1,845	1.3	191	0.1
	42,819	**35.1**	**37,285**	**33.2**	**32,537**	**23.2**	**35,590**	**22.4**
Current assets								
Prepayments	28,784	23.7	8,868	7.9	18,413	13.1	28,216	17.8
Deposits and other receivables	6,504	5.3	2,504	2.2	6,171	4.4	10,577	6.7
Value added tax recoverables	10,771	8.9	30,370	27.1	56,011	39.9	62,401	39.3
Amounts due from an associate or a related company	32,826	27.0	33,177	29.6	27,091	19.4	18,845	11.9
Prepaid listing expenses for listing on the Hong Kong Stock Exchange	—	—	—	—	—	—	3,014	1.9
	78,885	**64.9**	**74,919**	**66.8**	**107,686**	**76.8**	**123,053**	**77.6**
	121,704	**100.0**	**112,204**	**100.0**	**140,223**	**100.0**	**158,643**	**100.0**

Our prepayment, deposits and other receivables decreased from RMB121.7 million as of December 31, 2019 to RMB112.2 million as of December 31, 2020, due to decreases in both current and non-current portions of this line item:

- The decrease of the non-current portion of our prepayment, deposits and other receivables was primarily attributable to a decrease in prepayment for purchase of property, plant and equipment because certain equipment which we prepaid in 2019 were delivered to us in 2020 and certain prepayment we made in 2019 for the construction of our fuel cell system testing center did not recur in 2020.

- The decrease of the current portion of our prepayment, deposits and other receivables was primarily attributable to a decrease in prepayments for raw materials due to (i) decrease in our prepayments for raw materials as of December 31, 2020, and (ii) a decrease in our prepayments for professional fees associated with our A Share listing in 2019, which did not recur in 2020. This was partially offset by an increase in our value added tax recoverable as we have obtained more value-added input tax credit following our increased purchases of property, plant and equipment in 2020.

Our prepayment, deposits and other receivables increased from RMB112.2 million as of December 31, 2020 to RMB140.2 million as of December 31, 2021, due to the significant increases in current portions of this line item:

- The increase of the current portion of our prepayment, deposits and other receivables was primarily attributable to (i) an increase in prepayments for raw materials relating to our participation in building laboratories, and an increase in prepayments for office equipment, and (ii) an increase in our value added tax recoverable as we have obtained more value-added input tax credit following our increased purchases of property, plant and equipment in 2021.

Our prepayment, deposits and other receivables increased from RMB140.2 million as of December 31, 2021 to RMB158.6 million as of June 30, 2022, due to the significant increases in current portions of this line item:

- The increase of the current portion of our prepayment, deposits and other receivables was primarily attributable to (i) an increase in prepayments for raw materials in anticipation of the increased sales in 2022 and (ii) an increase in our value added tax recoverable as we have obtained more value-added input tax credit following our increased purchases of property, plant and equipment in 2022.

As of October 31, 2022, we had utilized RMB66.2 million or 35.7% of our prepayments, deposits and other receivables as of June 30, 2022.

Other receivables from Zhangjiakou Haiper

The outstanding balances owed by Zhangjiakou Haiper to our Group as of December 31, 2019, 2020, 2021 and June 30, 2022 was RMB32.8 million, RMB33.1 million, RMB27.1 million, and RMB18.8 million, respectively. The table below sets forth the addition, the settlement of outstanding balances owed by Zhangjiakou Haiper to our Group and relevant provision for expected credit loss during the Track Record Period.

	For the year ended December 31,			For the six months ended June 30,
	2019(1)	**2020(2)**	**2021(2)**	**2022(2)**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Addition of outstanding amount	29,023	1,996	1,991	954
(Settlement) of outstanding amount	(50,049)	—	—	(6,182)
(Provision) for expected credit loss	(1,508)	(1,694)	(8,069)	(3,041)

(1) The loans to Zhangjiakou Haiper were made during the period when we were the then controlling shareholder of Zhangjiakou Haiper. Such loans were to support the purchase of equipment and land use right, and construction of plant of Zhangjiakou Haiper. After the deemed disposals of our interests in Zhangjiakou Haiper, we did not lend any additional amount to Zhangjiakou Haiper.

(2) The increase in outstanding amount primarily represented the interest income generated from the outstanding amount of the loans. As advised by our PRC Legal Advisor, such arrangement leading to the interest income generated from the amount due from an associate complies with relevant PRC laws and regulations.

To the best knowledge, information, and belief of our Directors, Zhangjiakou Haiper was unable to repay the remaining loan balance as of the Latest Practicable Date mainly due to the following reasons:

(1) The construction of its plant in Zhangjiakou was delayed by over one year, which was caused by (a) the explosion incident near a plant owned by Zhangjiakou Haiper, (b) the subsequent investigation and evidence gathering by the government, and (c) making claims against the perpetrator for damages;

(2) Since its commencement of operation, the revenue and profitability of Zhangjiakou Haiper had fallen short of the expectation, which was caused by (a) the significant increase in expenditure incurred by Zhangjiakou Haiper before it started production due to the explosion incident as mentioned above, and (b) occasional shutdown of the plant due to the impact of COVID-19 after it started production;

(3) Zhangjiakou Haiper undertook the task of providing the hydrogen source for the Beijing 2022 Olympic Winter Games in 2021, mainly responsible for the supply and refilling of hydrogen for the hydrogen fuel cell bus during the Beijing 2022 Olympic Winter Games. In order to fulfill its contractual commitment, Zhangjiakou Haiper had to maintain sufficient working capital for day-to-day operations to ensure stable production of hydrogen and to provide efficient services; and

(4) Zhangjiakou Haiper is still in the process of seeking for a new round of financing in preparation for the second phase plant expansion project. In June 2021, Commerce Bureau of Zhangjiakou published an announcement on capital investment (招商引資) in relation to the second phase of Zhangjiakou Haiper's plant expansion project. This new round of financing has attracted a state-owned company in the hydrogen energy industry, and this potential investor is in the process of negotiation with Zhangjiakou Haiper and the financing has yet to be completed.

We have been closely monitoring the financial and business operation conditions of Zhangjiakou Haiper by reviewing its financial performance from time to time and other materials in relation to the business operation of Zhangjiakou Haiper. As of the Latest Practicable Date, to the best knowledge and belief of our Directors, Zhangjiakou Haiper was in normal business conditions. In addition, the potential investor has been negotiating with Zhangjiakou Haiper and conducting due diligence for a new round of financing activities and Zhangjiakou Haiper's liquidity restraint will likely to be eased once the financing is completed. Having regard to the aforementioned factors, our Directors are of the view that Zhangjiakou Haiper is capable of repaying the balance of loans to the Group.

Our Directors are in continuous communication with Zhangjiakou Haiper on its repayment plan. Since June 30, 2022 and up to the Latest Practicable Date, Zhangjiakou Haiper had settled approximately RMB3.7 million. Pursuant to the written confirmation of Zhangjiakou Haiper, Zhangjiakou Haiper agreed to fully settle the remaining balance by supplying hydrogen products to the Group and/or applying part of the proceeds of capital investment to Zhangjiakou Haiper as working capital from third party investor by December 31, 2023.

Trade and Bills Payables

Our trade and bills payables primarily relate to payments we owe to our suppliers. The following table sets forth a breakdown of our trade and bills payable as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Trade payable	205,977	100.0	167,808	64.2	230,077	73.4	252,419	78.9
Bills payable	—	—	93,773	35.8	83,268	26.6	67,440	21.1
	205,977	**100.0**	**261,581**	**100.0**	**313,345**	**100.0**	**319,859**	**100.0**

Our trade and bills payables increased by 27.0% from RMB206.0 million as of December 31, 2019 to RMB261.6 million as of December 31, 2020. This increase is mainly because (i) we procured more raw materials in anticipation of increased sales orders in 2021; and (ii) we settled our payment for goods with a major supplier by bills, which amounted to RMB88.4 million as of December 31, 2020.

In 2021, we increased our purchase of raw materials from a major supplier primarily because we anticipated to receive more sales order in the first half of 2022. As a result, our trade and bill payables increased to RMB313.3 million as of December 31, 2021. Our trade and bills payable increased to RMB319.9 million as of June 30, 2022 primarily because we procured more raw materials from our major suppliers in anticipation of our increased sales orders in the second half of 2022.

The table below sets forth an aging analysis of our trade and bills payables based on the invoice date, as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Within 90 days	167,343	81.2	174,420	66.7	221,791	70.8	155,975	48.8
90 to 180 days	14,081	6.8	56,916	21.8	57,218	18.3	83,847	26.2
180 days to one year	16,655	8.1	17,302	6.6	19,040	6.1	60,524	18.9
One year to two years	5,918	2.9	10,786	4.1	10,117	3.2	14,089	4.4
Over two years	1,980	1.0	2,157	0.8	5,179	1.6	5,424	1.7
	205,977	**100.0**	**261,581**	**100.0**	**313,345**	**100.0**	**319,859**	**100.0**

Our trade payables are non-interest bearing and we generally settle our trade payables within 90 days. Our bills payable are guaranteed by PRC commercial banks and have a maturity between three to six months.

As of December 31, 2020, our trade and bills payables aging from 90 to 180 days had a substantial increase compared to the balance as of December 31, 2019 as we procured more raw materials from our major suppliers in anticipation of our increased sales orders in the coming year. As of the same date, our trade and bills payables aging from one year to two years also had a substantial increase compared to the balance as of December 31, 2019 which resulted from our slowing down in payments to suppliers affected by the COVID-19 outbreak.

As of December 31, 2021, our trade and bills payables aging within 90 days had a substantial increase compared to the balance as of December 31, 2020 as we procured more raw materials in anticipation of our increased production and sales in first half of 2022.

As of June 30, 2022, our trade and bills payables aging 90 to 180 days and 180 days to one year increased significantly compared to the balance as of December 31, 2021 as we procured more raw materials from our major suppliers in the end of 2021 and the six months ended June 30, 2022 and the balance was unsettled.

Trade Payables Turnover Days

The following table sets forth the number of turnover days for our trade payables for the relevant years/period indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Trade payables turnover days[(1)]	198	211	185	265

(1) Trade payables turnover days equal to the average of the opening and closing balances of trade payables of the relevant year/period divided by the cost of sales of the relevant year/period multiplied by 365 days in 2019, 366 days in 2020, 365 days in 2021 and 181 days for the six months ended June 30, 2022. We usually settled our trade payables within 90 days, however, we have bargaining power in determining our the trade payables turnover days during the Track Record Period.

In 2019 and 2020, our trade payables turnover days remained relatively stable at 198 and 211 days, respectively. In 2021, our trade payables turnover days decreased to 185 days as we settled a portion of our payments to our suppliers and we increased our payment by bills. Our trade payables turnover days increased significantly to 265 days for the six months ended June 30, 2022 because we increased our purchase of raw materials and inventory in the end of 2021 and the six months ended June 30, 2022 in anticipation of an increase in sales orders in 2022 and our related payments to suppliers were unsettled.

As of October 31, 2022, we had settled RMB201.5 million, RMB250.2 million, RMB245.9 million and RMB140.7 million, or 97.8%, 95.6%, 78.5% and 44.0% of our trade and bills payables as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively.

Other Payable and Accruals

The following table sets forth our payable and accruals, which mainly consist of warranty provision, accrued social security costs, amounts due to subscribers, other tax payable, endorsed bills, and others.

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Non-current				
Warranty provision	12,878	19,856	28,651	31,226
Current				
Accrued social security costs	661	735	1,220	1,336
Accrued service expenses	2,727	2,021	3,795	1,224
Amounts due to subscribers for new registered capital of a subsidiary	36,000	—	—	—
Endorsed bills	29,743	2,996	17,880	33,862
Salary payable	19,268	23,229	36,692	22,724
Payable of purchase of property, plant and equipment	5,508	17,938	33,311	29,337
Other tax payables	8,713	3,318	3,105	905
Accrued listing expenses for listing on the Hong Kong Stock Exchange	—	—	9,259	9,049
Others[1]	9,895	7,489	10,863	10,657
	112,515	57,726	116,125	109,094
	125,393	77,582	144,776	140,320

(1) Others mainly represented payable for rents, amounts due to related companies, and amount due to an associate.

Our other payables and accruals decreased from RMB125.4 million as of December 31, 2019 to RMB77.6 million as of December 31, 2020, primarily due to (i) a decrease in amounts due to subscribers for new registered capital of a subsidiary as the legal procedures for a capital injection in 2019 was completed in 2020, and (ii) a decrease in our endorsed bills which were received from our customers and endorsed for settlement to our suppliers but not yet due. These decreases were partially offset by (i) an increase in payable of purchase of property, plant and equipment as part of our expansion and construction of second phase of our Zhangjiakou Plant, (ii) an increase in salary payable due to our increased staff headcount, and (iii) an increase in warranty provision from which was in line with the increase in our sales of fuel cell systems.

Our other payables and accruals increased significantly from RMB77.6 million as of December 31, 2020 to RMB144.8 million as of December 31, 2021, primarily due to (i) an increase in warranty provision which was in line with the increase of our sales of fuel cell systems, (ii) an increase in our endorsed bills which were bills we received from our customers and endorsed for settlement of our suppliers, (iii) an increase in salary payable due to increase in headcount, (iv) an increase in payables of purchase of property, plants and equipment (a) as part of the expansion and construction of second phase of our Zhangjiakou Plant, and (b) arisen from the purchase of a testing equipment for high power output models to cope with our increasing demand in R&D and testing; and (v) increase in accrued listing expenses.

Our other payables and accruals decreased from RMB144.8 million as of December 31, 2021 to RMB140.3 million as of June 30, 2022, primarily due to the decrease in payable of purchase of property, plant and equipment as we settled our invoices and the decrease in salary payable, partially offset by the increase in endorsed bills and the increase in warranty provision.

As of October 31, 2022, we have settled RMB66.9 million or 47.7% of our other payables and accruals as of June 30, 2022.

Warranty provisions

We make provisions on warranties for our fuel cell systems, based on our repair and after-sales services provided in recent years. Generally, our provisions were made based on 1.5% of the revenue we recognized in connection with the sales of our fuel cell systems. We consider the percentage of 1.5% represented the best estimates of projected costs to repair our fuel cell systems under warranties and shall be sufficient based on our estimates of the nature, frequency, and average costs of future repair and after-sales services. Although these estimates are inherently uncertain given our relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty reserve in the future, we consider our current estimation shall be sufficient. The following table sets forth a breakdown of our warranty provisions as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
At the beginning of the year/period	7,215	12,878	19,856	28,651
Provisions made	7,979	7,494	11,851	3,847
Provisions utilized	(2,316)	(516)	(3,056)	(1,272)
At the end of the year/period	**12,878**	**19,856**	**28,651**	**31,226**

Deferred Income

Deferred income represents one-off government grants which we received from local government authorities primarily relating to our research and development costs and investments in fixed assets, such as testing and production equipment. Our deferred income was RMB73.0 million, RMB95.9 million, RMB112.3 million and RMB120.6 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. See note 34 to the Accountant's Report set out in Appendix I to this prospectus.

INDEBTEDNESS

The following table sets forth the balance and breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)
Lease liabilities	14,574	14,644	10,448	6,401	16,877
Fixed-rate bank borrowings					
Secured	30,000	45,000	20,000	20,000	10,000
Unsecured	75,000	125,382	97,825	164,873	196,486
	119,574	**185,026**	**128,273**	**191,274**	**223,363**

Our bank loans and other borrowings primarily consist of short-term fixed-rate working capital loans.

Our bank borrowings increased in 2020 due to our business expansion and increased need for working capital loans. Our bank borrowings decreased as of December 31, 2021 as we repaid a portion of our bank borrowings in the second half of 2021. Our bank borrowing increased as of June 30, 2022 due to our business expansion and increased need for working capital loans. During the Track Record Period, a portion of our bank borrowings were secured by our plants and buildings.

Our single largest shareholder and his spouse provided personal guarantees to banks in respect of our bank borrowings during the Track Record Period. Those personal guarantees were released upon the full settlement of such borrowings according to the repayment terms. As of October 31, 2022, none of our bank borrowings was guaranteed by our single largest shareholder and his spouse. Considering that our Group has sufficient funds to operate our business independently, and is able to obtain financing from third parties without relying on Mr. Zhang or other connected persons to provide guarantee or security, our Directors considered that the personal guarantees provided by our single largest shareholder and his spouse during the Track Record Period will not affect the financial independence of the Group after the Listing. See "Relationship with Our Single Largest Shareholder".

The range of effective interest rates per year on our borrowings was 4.57% to 5.87%, 3.65% to 4.79%, 3.75% to 4.00%, 3.00% to 4.00% and 3.00% to 4.00% as of December 31, 2019, 2020, 2021, June 30, 2022 and October 31, 2022, respectively. As of October 31, 2022, we had unutilized banking facilities of RMB614.1 million all of which are committed and unrestricted. Directors confirm that there was no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, as of October 31, 2022, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, or guarantees.

CAPITAL EXPENDITURES

Our capital expenditures primarily include expenditures for purchase of property, plant and equipment and intangible assets-software. In 2019, 2020, 2021 and for the six months ended June 30, 2022, we incurred capital expenditures of RMB87.9 million, RMB143.7 million, RMB200.7 million and RMB64.6 million, respectively.

The following table sets forth our capital expenditures during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Property, plant and equipment	78,009	128,055	196,584	63,457
Intangible assets — software	9,893	15,631	4,118	1,189
	87,902	**143,686**	**200,702**	**64,646**

We expect our capital expenditures for the second half of 2022 to be approximately RMB109.4 million, which will be used mainly for the purchase of property, plant and equipment and software.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments are primarily related to the acquisition of property, plant and equipment, as well as intangible assets and associates. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Capital expenditure in respect of acquisition of property and equipment, intangible assets and associates contracted for but not provided	**101,978**	**97,347**	**133,038**	**141,380**

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigation or claims of material importance, pending or threatened against us. Our Directors have confirmed that there has not been any material change in our contingent liabilities since the Latest Practicable Date.

KEY FINANCIAL RATIOS

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2019	2020	2021	2022
Gross profit margin[(1)] (%)	44.5	43.2	37.5	38.8
Current ratio[(2)] (times)	2.6	4.7	4.1	3.7
Quick ratio[(3)] (times)	2.2	4.4	3.7	3.2
Gearing ratio[(4)] (%)	10.4	7.6	4.4	6.7

(1) Calculated by dividing gross profit by revenue for the year or period multiplied by 100%.

(2) Calculated by dividing total current assets by total current liabilities as of the end of the year or period.

(3) Calculated by dividing total current assets minus inventory by total current liabilities as of the end of the year or period.

(4) Calculated by dividing total interest-bearing borrowings and lease liabilities by total equity as of the end of the year or period multiplied by 100%.

Analysis of Key Financial Ratios

Gross Profit Margin

For the analysis on the gross profit margin, see "— Results of Operations".

Current Ratio

Our current ratio decreased from 4.1 times as of December 31, 2021 to 3.7 times as of June 30, 2022, primarily due to the combined effect of (i) a decrease in our cash and cash equivalents of RMB172.0 million; (ii) a decrease in trade and bills receivables of RMB64.9 million; and (iii) an increase in bank borrowings of RMB47.4 million.

Our current ratio decreased from 4.7 times as of December 31, 2020 to 4.1 times as of December 31, 2021, primarily due to the combined effect of (i) a decrease in our cash and cash equivalents of RMB161.0 million; (ii) an increase of other payable and accruals of RMB58.4 million, primarily due to the increase in salary payables, payable of purchase of property, plant and equipment and the listing expenses incurred for the Global Offering; and (iii) an increase in trade and bills payables of RMB51.8 million.

Our current ratio increased from 2.6 times as of December 31, 2019 to 4.7 times as of December 31, 2020 primarily due to the combined effect of (i) an increase in trade and bills receivables of RMB259.2 million mainly due to the continuing expansion of our business as well as delayed settlement from customers due to the COVID-19 outbreak; (ii) a decrease in other payables and accruals mainly due to the decrease in the amount of RMB36.0 million recorded under amounts due to subscribers for new registered capital of a subsidiary; and (iii) an increase in cash and cash equivalents of RMB764.4 million due to our equity financing on the SSE STAR Market in August 2020.

Quick Ratio

Similar to the reasons behind the changes in our current ratio, our quick ratio increased from 2.2 times as of December 31, 2019 to 4.4 times as of December 31, 2020, and decreased to 3.7 times as of December 31, 2021, and further decreased to 3.2 times as of June 30, 2022.

Gearing Ratio

Our gearing ratio decreased from 10.4% as of December 31, 2019 to 7.6% as of December 31, 2020, and continued to decrease to 4.4% as of December 31, 2021. The decrease in our gearing ratio in 2020 was primarily due to our equity financing on the SSE STAR Market in August 2020. In 2021, we repaid some of our bank borrowings, resulting in a decrease in our gearing ratio. As of June 30, 2022, our gearing ratio increased to 6.7% primarily due to increase in bank borrowings for our business expansion and increased need for working capital loans.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. It is the view of our Directors that each of the related party transactions set out in note 41 to the Accountants' Report set out in Appendix I to this prospectus was conducted in the ordinary course of business, on an arm's length basis and on normal commercial terms between us and the relevant related parties. Our Directors are also of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business, which would not distort our track record results or make our historical results unreflective of our future performance.

Our Directors confirm that, save for the balances with related parties of trade nature, any outstanding balance with related parties will be fully settled prior to our Listing.

FINANCIAL RISKS

The major financial risks arising from our normal course of business include market risk (currency risk and interest rate risk), credit risk and liquidity risk. For details, see note 39 to the Accountants' Report set out in the Appendix I to this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DISTRIBUTABLE RESERVES

As of June 30, 2022, our distributable reserves, being our retained earnings, were RMB53.5 million.

DIVIDEND POLICY

We did not declare or pay any dividends during the Track Record Period. Subject to the relevant PRC laws and our Articles of Association, we may declare dividend by way of cash, stocks or a combination of cash and stocks. We prioritize cash over stock dividends. We shall declare and pay cash dividend of no less than 10% of our Company's annual distributable profit for the relevant year if, among others, (i) our Company has distributable profit and positive retained earnings during the same year, (ii) our cash dividend distribution will not affect our working capital sufficiency and business operations, and (iii) we do not have significant capital expenditure needs for the next 12 months. In addition, our accumulated profit distributed in the last three consecutive years shall not be less than 30% of our Company's annual distributable profit realized in the same three years.

The payment and amount of dividends (if any) depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends to be paid by us, future prospects and other relevant factors. Any proposed payment of dividends is also subject to the approval of our shareholders and there is no guarantee that we will declare and pay dividends.

LISTING EXPENSES

The total estimated listing expense in connection with the Global Offering are RMB69.5 million, representing 6.4% of the gross proceeds from the Global Offering (based on the mid-point of the Offer Price range of HK$68.00 per Offer Share and assuming no Over-allotment Option will be exercised), among which (i) underwriting-related expenses, including underwriting commission and other fees and expenses, are expected to be approximately RMB32.5 million and (ii) non-underwriting-related expenses are expected to be approximately RMB37.0 million, comprising (a) fees and expenses of legal advisers and reporting accountants of approximately RMB20.4 million and (b) other fees and expenses of approximately RMB16.6 million.

During the Track Record Period, we incurred RMB23.6 million of listing expenses of which RMB20.6 million was charged to our consolidated income statements, while the listing expenses directly attributable to the issue of shares of RMB3.0 million will be recognized as a deduction in equity upon completion of the Global Offering. We expect to incur underwriting commissions and other additional listing expenses of RMB45.9 million after June 30, 2022 (assuming an Offer Price of HK$68.00 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus), of which RMB11.7 million will be charged to the consolidated statements of profit or loss and other comprehensive income after June 30, 2022, and RMB34.2 million will be charged to equity upon completion of the Listing. The listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there had been no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2022 (being the date on which the latest reviewed consolidated financial information of our Group was prepared) and there is no event since June 30, 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of September 30, 2022 as if the Global Offering had taken place on September 30, 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of September 30, 2022 or at any future date.

	Unaudited consolidated net tangible assets attributable to owners of the Company as of September 30, 2022(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets(5)	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*RMB(3)*	*HKD(4)*
Based on an Offer Price of HK$60.00 per Share	2,166,673	913,656	3,080,329	26.21	28.98
Based on an Offer Price of HK$76.00 per Share	2,166,673	1,161,123	3,327,796	28.32	31.31

(1) The unaudited consolidated net tangible assets attributable to owners of the Company as of September 30, 2022 is extracted from "Appendix IA — Unaudited Interim Financial Information", which is based on the unaudited consolidated equity attributable to owners of the Company as of September 30, 2022 of approximately RMB2,408,994,000 less intangible assets as of September 30, 2022 of approximately RMB242,321,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$60.00 per Share or HK$76.00 per Share, after deduction of the underwriting fees and other related expenses payable by the Group and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.11 to RMB1 prevailing on December 5, 2022.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 117,519,387 Shares in issue immediately following the completion of the Global Offering and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.11 to RMB1 prevailing on December 5, 2022.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered subsequent to September 30, 2022.

IMPACT OF COVID-19

The outbreak of COVID-19 has materially and adversely affected the global economy since the end of December 2019. It has affected our business operations in the following aspects, especially in the first quarter of 2020.

- our procurement of certain raw materials, especially from overseas suppliers, was adversely affected by the global supply chain and logistics constraints;
- we experienced an increase in our trade and bills receivables in 2020, partly due to the delayed settlement of payments from some of our customers as a result of their working capital constraints or operating losses after the outbreak of COVID-19; and
- we incurred additional administrative expenses to purchase personal protection equipment and put in place other measures to ensure the health and safety of our employees.

Protecting our employee's health and well-being is essential to us. We have taken various mitigation measures to reduce the impact of the COVID-19 outbreak and protect our employees. We require our employees to keep social distance and wear facial masks at work. We provide free personal protective equipment such as facial masks and disinfectants to our employees. Our ventilation, air purification and air conditioning facilities are well maintained and effective. We also adjust our employees' work arrangements to comply with local COVID-19 mandates. We encourage our employees to be vaccinated and provide sick leave to our employees who wish to be vaccinated.

In 2020, despite the slowdown in the rollout of supportive policies and the demonstration application of fuel cell vehicles in China due to the COVID-19 outbreak and our sales volume of fuel cell systems has been slightly decreased to 494 units, we were able to increase our revenue in 2020, mainly driven by the growth in market demand for higher power output fuel cell systems.

In 2021, although there have been occasions where COVID-19 have re-emerged in China, we believe that these events did not have any material or adverse effect on our business operations and financial performance. Our revenue from the sales of fuel cell systems continued to increase in 2021 compared to 2020. In addition, our sales volume of fuel cell systems reached 543 units, totaling 58,580kW in 2021, surpassing 494 units sold, totaling 35,600kW in 2020. See also "Risk Factors — Risks Relating to Our Business — COVID-19 had and may continue to have an adverse impact on our business operations and we are subject to other risks beyond our control".

Since March 2022, there has been a major COVID-19 outbreak in Shanghai. We have taken additional preventative COVID-19 measures at Shanghai plant including that all outside personnels are not allowed to enter the plant, and employees are not allowed to leave or enter the plant without the approval of the Company and the district government. All materials and goods could only be transported into the factory after being sterilized and stacked in designated area outside the plant. Employees were required to comply with the district's mandates such as attending regular COVID-19 test organized by the local government and relocating to designated locations for treatments if infected. We also disinfected the plant twice a day.

Due to the disruption of transportation following the COVID-19 outbreak in Shanghai, some raw materials could not be delivered on time. Some of our local suppliers also suspended production due to the COVID-19 outbreak in Shanghai, and we have relied on our inventories of raw materials, which were sufficient for our production needs up to the end of 2022 and have negotiated with suppliers located in other cities to obtain additional resources for our production since then. The COVID-19 also affected our sales and delivery of fuel cell systems, due to the lockdowns in cities of China where some of our customers located. Because of the disruption of transportation, our communications and negotiations with customers were mostly conducted online. As of the Latest Practicable Date, there has not been any halt of production or material disruption on the delivery of products as the Company has sufficient raw materials for its production and has been actively following up with its customers and negotiated delivery accordingly, and has been no breach of contract in our business due to delivery delay. According to the CIC Report, although the recent resurgence of the COVID-19 in China has temporarily affected the supply of raw materials for fuel cell vehicles, key components of fuel cell systems such as MEA and bipolar plates, are largely unaffected as fuel cell stack manufacturers generally have adequate stock for production. Overall, the lockdowns in certain cities in China, as part of the COVID-19 mandates, have slightly increased the logistics costs for the industry, and temporarily increased the cost of key raw materials of fuel cell systems by 5–10%, according to the CIC Report. As of the Latest Practicable Date, we have not experienced any further increase in the price of raw materials.

According to the CIC Report, the current market demands for fuel cell vehicles and fuel cell systems are still primarily driven by favorable government policies, and the government has not revised the target volumes of fuel cell vehicles and fuel cell systems due to the recent resurgence of the COVID-19 pandemic, and the overall production of the fuel cell vehicles and fuel cell systems in China was not materially affected even though production temporarily halts during lockdowns in a few areas such as Shanghai (lockdown for over two months) and several districts of Beijing (lockdown for less than one month). In particular, our Shanghai plant continued production as we arranged personnel to station on site for production and in a controlled environment to avoid COVID-19 infection.

As our production and delivery normally occur in the second half of the year, the impact of COVID-19 on our production and sale of fuel cell systems in the six months ended June 30, 2022 was limited. As of the Latest Practicable Date, even though we were able to deliver all the confirmed orders on hand, some of our customers were affected by COVID-19 and had not initiated delivery notices. As a result, some of the confirmed orders may not be able to deliver to our customers by the end of 2022.

We believe the outbreak has not had any material adverse impact on our business or financial performance because we were able to continue our production activities in Shanghai due to the efforts of our employees. We believe the negative impacts we have experienced are relatively minor and temporary. After the Listing, we will make appropriate announcements in accordance with the Listing Rules upon any material effect caused by new development of COVID-19 since the Latest Practicable Date, and our delivery of products to customers may be disrupted. See also "Risk Factors — Risks Relating to Our Business — COVID-19 had and may continue to have an adverse impact on our business operations and we are subject to other risks beyond our control".

RECENT DEVELOPMENTS

As required by the SSE STAR Market rules, we published our quarterly report on October 31, 2022, containing our unaudited consolidated financial statements as of and for the nine months ended September 30, 2022 prepared under PRC GAAP. As a result, we have included our unaudited condensed consolidated financial statements in Unaudited Interim Financial Information, Appendix IA to this prospectus. Our unaudited condensed consolidated financial statements have been prepared under IFRSs and reviewed by our Reporting Accountants in accordance with Hong Kong Standards on Review Engagement 2410. See "Appendix IA — Unaudited Interim Financial Information."

Results of Operations for the Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

The following table summarizes our results of operations for the periods indicated:

	Nine months ended September 30,	
	2022	2021
	(RMB'000) (Unaudited)	*(RMB'000)* (Unaudited)
REVENUE	390,607	373,487
Cost of sales	(231,602)	(261,092)
Gross profit	159,005	112,395
Other income, gains and losses	5,776	24,303
Selling and distribution expenses	(46,718)	(42,119)
Administrative expenses	(136,075)	(74,578)
Research and development expenses	(85,924)	(58,888)
Reversal of impairment losses/(impairment losses) on financial assets	697	(62,740)
Finance costs	(5,191)	(4,364)
Share of results of associates	(6,767)	(6,710)
Share of results of a joint venture	(11,296)	(2,194)
Listing expenses	(11,145)	—
LOSS BEFORE TAXATION	(137,638)	(114,895)
Income tax credit	21,993	22,094
LOSS FOR THE PERIOD	(115,645)	(92,801)
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified to profit or loss:		
Fair value changes in equity instruments at fair value through other comprehensive income, net of income tax	2,210	65,018
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(113,435)	(27,783)

The following discussion compares the major components of our operating results for the nine months ended September 30, 2021 and 2022:

Revenue

The following table summarizes our revenue by business activity for the periods indicated:

	Nine months ended September 30,	
	2022	2021
	(RMB'000) (Unaudited)	*(RMB'000)* (Unaudited)
Sales of fuel cell systems	365,999	328,543
Sales of fuel cell components	7,849	17,429
Provision of technology development services	12,402	17,438
Others	4,357	10,077
	390,607	373,487

Our revenue increased to RMB390.6 million for the nine months ended September 30, 2022 as compared to RMB373.5 million for the corresponding period in 2021. This was due to an increase in the sales of fuel cell systems during the period.

Sales of fuel cell systems

Our sales of fuel cell systems increased to RMB366.0 million for the nine months ended September 30, 2022 as compared to RMB328.5 million for the corresponding period in 2021, which was primarily because we sold 746 units, totaling 78,280 kW of fuel cell systems with an average selling price per kW of RMB4,676 in the nine months ended September 30, 2022, as compared to 250 units, totaling 30,390kW of fuel cell systems with an average selling price per kW of RMB10,811 for the corresponding period in 2021. The significant increase in sales volume was driven by the growth in market demand for fuel cell systems from supportive government policies of demonstration city clusters.

Sales of fuel cell components

Our sales of fuel cell components decreased to RMB7.8 million for the nine months ended September 30, 2022 as compared to RMB17.4 million for corresponding period in 2021, primarily due to our decreased sales in hydrogen storage systems in the period.

Provision of technology development services

Our revenue from the provision of technology development services decreased to RMB12.4 million for the nine months ended September 30, 2022 as compared to RMB17.4 million for the corresponding period in 2021, primarily due to completion of technology development services for Toyota in 2021.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales decreased to RMB231.6 million for the nine months ended September 30, 2022 as compared to RMB261.1 million for the corresponding period in 2021, which was primarily because (i) our average raw material cost per kW of our fuel cell system decreased significantly from RMB7,200 in the nine months ended September 30, 2021 to RMB2,200 in the corresponding period in 2022 due to the increased production scale; and (ii) we sold more fuel cell systems that were equipped with in-house manufactured stacks in the nine months ended September 30, 2022, which had lower costs than fuel cell systems with third party stacks.

Our gross profit increased to RMB159.0 million for the nine months ended September 30, 2022 as compared to RMB112.4 million for the corresponding period in 2021, due to the increased sales of fuel cell systems.

Our overall gross margin increased to 40.7% for the nine months ended September 30, 2022 from 30.1% for the corresponding period in 2021, primarily due to the significant increase in the gross profit for the sales of fuel cell systems. Our gross profit for the sales of fuel cell systems increased to RMB155.1 million as compared to RMB101.2 million for the corresponding period in 2021, primarily due to an increase in the sales of fuel cell systems. The gross profit margin for the sales of fuel cell systems increased to 42.4% from 30.8% as a result of the increased production scales and the increased sales volume of systems that carried fuel cell stacks from our Group.

Our gross profit for the sales of fuel cell components decreased to RMB2.0 million as compared to RMB3.1 million for the corresponding period in 2021 primarily due to a decrease in the sales of hydrogen storage systems in the nine months ended September 30, 2022. Our gross profit margin for the sales of fuel cell components increased to 25.8% for the nine months ended September 30, 2022 as compared to 17.7% for the corresponding period in 2021, due to the sale of hydrogen storage systems to a customer nearly at cost for the nine months ended September 30, 2021, which was an one-off event. Our gross profit for the provision of technology development services decreased to RMB2.0 million in the nine months ended September 30, 2022 as compared to RMB6.0 million in the corresponding period in 2021 due to the completion of several projects in the nine months ended September 30, 2021. The gross profit margin for the provision of technology development services decreased to 16.4% for the nine months ended September 30, 2022 as compared to 34.3% in the corresponding period, due to change in service mix and the increase in labor costs resulting from the increase in general salary level.

Other Income

Other income increased to RMB38.4 million for the nine months ended September 30, 2022 from RMB36.4 million for the corresponding period in 2021, primarily due to a significant increase in interest income on financial assets at FVTPL and an increase in government grants including industry-specific subsidies granted by the government authorities to reward our effort for technological innovation.

Other Gains and Losses

We recorded other losses of RMB12.1 million and RMB32.6 million for the nine months ended September 30, 2021 and 2022, primarily due to a significant increase in write down of inventories, which was primarily due to the market demand for high power output fuel cell systems resulting in a larger amount of provision being provided to our low power output models.

Selling and Distribution Expenses

Our selling and distribution expenses was RMB42.1 million and RMB46.7 million for the nine months ended September 30, 2021 and 2022, primarily due to a significant increase of RMB8.3 million in salary expense, which was due to the increase in our headcount, and the increase in our general salary level and social security benefits.

Administrative Expenses

Our administrative expenses increased significantly to RMB136.1 million for the nine months ended September 30, 2022 as compared to RMB74.6 million for the corresponding period of 2021, primarily due to (i) a significant increase of RMB32.4 million in salary expenses due to an increase in our manpower handling the administrative work and our general salary level; and (ii) an increase in depreciation and amortization of RMB20.3 million, due to increase in fixed assets and intangible assets.

Research and Development Expenses

Our research and development expenses increased significantly to RMB85.9 million for the nine months ended September 30, 2022 as compared to RMB58.9 million for the corresponding period of 2021, primarily due to an increase in salary expenses of RMB19.0 million, an increase in depreciation and amortization of RMB10.8 million and an increase in testing expense of RMB14.3 million in the nine months ended September 30, 2022 as compared to the corresponding period in 2021.

(Reversal of impairment losses)/Impairment Losses on Financial Assets

We recorded reversal of impairment losses of RMB0.7 million for the nine months ended September 30, 2022 as compared to impairment losses of RMB62.7 million for the corresponding period in 2021, primarily due to our efforts in collecting customer payments.

Finance Costs

Our financial costs increased to RMB5.2 million for the nine months ended September 30, 2022 as compared to RMB4.4 million for the corresponding period in 2021, due to an increase in bank borrowings.

Share of Results of Associates

Our share of losses of associates slightly increased to RMB6.8 million for the nine months ended September 30, 2022 as compared to RMB6.7 million for the corresponding period in 2021.

Share of Results of a Joint Venture

We record share of losses of a joint venture of RMB11.3 million for the nine months ended September 30, 2022 as compared to RMB2.2 million for the corresponding period in 2021, due to less share of losses incurred by Toyota Sinohytec for the nine months ended September 30, 2021 as it was incorporated in June 2021.

Income Tax Credit

Our income tax credit remains relatively stable at RMB22.1 million and RMB22.0 million for the nine months ended September 30, 2021 and 2022.

Loss for the Period

As a result of the foregoing and impact of listing expenses, we recorded a loss of RMB92.8 million and RMB115.6 million for the nine months ended September 30, 2021 and 2022.

Liquidity and Capital Resources

As of September 30, 2022, we had cash and cash equivalents of RMB706.8 million.

Based on our business operation and financial performance in the nine months ended September 30, 2022 and taking into consideration (i) the increases in expenses which we expect to incur to execute our future business plans to enhance our R&D capability, expand our production capability of fuel cell stacks, and improve our supply chains and brand recognition; (ii) the potential increases in our administrative expenses and selling and distribution expenses along with our expected business growth; (iii) the potential decrease in our gross profit margin due to the market competition and pricing pressure; and (iv) the listing expenses in relation to the Global Offering, we will continue to incur substantial amount of loss and negative cash flows from operating activities in 2022. However, we intend to adopt certain measures to maintain sustainability and continue to grow our business to achieve profitability. See "Business — Business Sustainability — Continuously Growing Revenue".

Despite that the operations of our Shanghai Plant has been temporarily impacted by COVID-19 in April and May 2022, our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022 (being the date of our latest audited financial statements) and there has been no event since June 30, 2022 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus. See "— Impact of COVID-19".

The net proceeds from the Global Offering which we will receive, after deducting the underwriting commissions, the incentive fee (assuming the full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering (assuming the Over-allotment Option is not exercised), will be approximately HK$1,121.8 million, assuming an Offer Price of HK$68.00 (being the mid-point of the Offer Price range). Based on the priority and importance of our business strategies and their expected needs for capital, we intend to apply the net proceeds for the following purposes:

- approximately 75.0%, or approximately HK$841.2 million, will be used to fund our research and development in the next three years:

  (i) 50.2% of the net proceeds, or approximately HK$562.6 million, to fund the development of our new generation of R&D platform for fuel cells systems including, (i) approximately HK$361.8 million will be used for acquiring the latest R&D and testing equipment (such as material testing equipment, stack testing benches and fuel cell system testing benches as well as integrated environmental chambers); (ii) approximately HK$106.8 million will be used for payment of material costs and fuel power costs for R&D activities; (iii) approximately HK$31.1 million will be used for recruiting more than 35 additional R&D personnel to engage in the product testing and R&D activities for our new generation of R&D platform; and (iv) approximately HK$62.9 million will be used for upgrading our existing simulation, processing and analytical software for our new generation of R&D platform;

  The additional R&D personnel we intend to hire would include not less than five junior with more than two years of work experience in the fuel cell system industry, not less than 15 mid-level senior engineers with more than five years of work experience in the fuel cell system industry and not less than 15 senior experts with more than ten years of work experience in the fuel cell system industry and good credentials; and

  (ii) 24.8% of the net proceeds, or approximately HK$278.6 million, to fund our overseas R&D projects. In particular, with a view to leveraging local talents and other R&D resources in Japan, we intend to commence four R&D projects focusing on fuel cell stacks and their core materials in Japan. The funding for these projects will be used to procure testing equipment and recruit local professional and senior R&D personnel for developing our new generation fuel cell technologies;

To leverage our technology capability by conducting overseas R&D projects in Japan, we intend to hire seven senior level experts with at least ten years of work experiences in the research and development of the key parts of fuel cell systems, including fuel cell stacks, bipolar plate, PEM and catalyst; and whose designed products have been commercialized.

- approximately 15.0%, or approximately HK$168.4 million, will be used for improving our brand recognition through product promotion and multi-channel marketing in the next three years. In particular, (i) approximately HK$79.0 million will be used for expanding our marketing and after-sales team in certain geographic areas and we intend to hire 150 talents with experience in sales and customer services; (ii) approximately HK$59.8 million will be used to promote the application of our fuel cell systems through assisting commercial vehicle manufacturers in their testing of fuel cell vehicle prototypes and production and launch of new vehicle models; (iii) approximately HK$27.9 million will be used for the preparation or participation of industry events for our products, such as product exhibitions, product launch events and events organized by industry associations; and (iv) approximately HK$1.7 million will be used for online and conventional advertising placing and upgrade of our corporate website.

- approximately 10.0%, or approximately HK$112.2 million, will be used for working capital and other general corporate purposes.

Based on our strategies and intended use of proceeds from the Global Offering, we set out below our proposed implementation plans from the Listing Date to December 31, 2025 for your reference. Investors should note that the following implementation plans are formulated on the bases and assumptions which are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk factors" in this prospectus. Therefore, there is no assurance that our business plans will materialize in accordance with the estimated time frame and that our future plans will be accomplished at all. The details of our implementation plan are set out below:

		Use of proceeds					
	Intended capital expenditure	**2023**	**2024**	**2025**	**Total**	**% of net proceed**	**From internal resources and/or external financing**
	(HK$' million)	*(HK$' million)*	*(HK$' million)*	*(HK$' million)*	*(HK$' million)*		*(HK$' million)*
Funding research and development	**943.6**	**161.9**	**423.5**	**255.8**	**841.2**	**75.0**	**102.4**
— Development of next generation integrated R&D platform	665.0	99.8	320.9	141.9	562.6	50.2	102.4
(i) Acquisition of R&D equipment	464.1	74.5	244.7	42.6	361.8	32.3	102.3
(ii) Material and fuel power costs for product testing and R&D	106.8	18.8	32.7	55.3	106.8	9.5	—
(iii) Recruiting additional R&D personnel	31.2	6.5	10.7	13.9	31.1	2.8	0.1
(iv) Upgrading existing simulation processing and analytical software	62.9	—	32.8	30.1	62.9	5.6	—
— Funding overseas R&D projects	278.6	62.1	102.6	113.9	278.6	24.8	—
Product promotion and marketing	**189.1**	**34.0**	**68.0**	**66.4**	**168.4**	**15.0**	**20.7**
— Expanding marketing and after-sales team	79.0	8.3	30.6	40.1	79.0	7.0	—
— Assisting commercial vehicle manufacturers	59.8	14.6	20.2	25.0	59.8	5.3	—
— Offline preparation or participation of industry events	48.6	10.5	16.6	0.8	27.9	2.5	20.7
— Internet and conventional advertising	1.7	0.6	0.6	0.5	1.7	0.2	—
General working capital[1]	**—**	**112.2**	**—**	**—**	**112.2**	**10.0**	**—**
Total	**1,132.7**	**308.1**	**491.5**	**322.2**	**1,121.8**	**100.0**	**123.1**

(1) The general working capital does not constitute part of the total amount required for our implementation plan.

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the purposes set out above on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds in short-term interest-bearing deposits at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance, the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》) and other applicable laws in the PRC). We will comply with the appropriate disclosure requirements under the Listing Rules, and the PRC laws relating to foreign exchange registration and proceeds remittance.

If the Over-allotment Option is exercised in full, the additional net proceeds which we will receive, after deducting underwriting commissions, the incentive fee (assuming the full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering, will be:

- approximately HK$153.9 million, assuming an Offer Price of HK$60.00 (being the minimum Offer Price);
- approximately HK$174.4 million, assuming an Offer Price of HK$68.00 (being the mid-point of the Offer Price range); or
- approximately HK$194.9 million, assuming an Offer Price of HK$76.00 (being the maximum Offer Price).

Any additional proceeds received from the exercise of the Over-allotment Option will be allocated to satisfy our additional capital expenditure needs as appropriate.

We will issue announcements, where required, if there is any material change in the use of proceeds mentioned above.

HONG KONG UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited
CLSA Limited
Essence International Securities (Hong Kong) Limited
Zhongtai International Securities Limited
China Everbright Securities (HK) Limited
SPDB International Capital Limited
ICBC International Securities Limited
Futu Securities International (Hong Kong) Limited
Valuable Capital Limited
Merdeka Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 1,762,800 H Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus.

Subject to:

(a) the Stock Exchange granting the approval for the listing of, and permission to deal in our H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) or otherwise described in this prospectus and such approval for the listing of and permission to deal in our H Shares not subsequently being revoked; and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters)),

the Hong Kong Underwriters have agreed severally, but not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for Termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may in their absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by notice in writing to our Company at any time at or prior to 8:00 a.m. on the Listing Date if:

(a) there shall develop, occur, exist or come into effect:

(i) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal, regulatory, currency, credit or market conditions or sentiments, equity securities or other financial markets (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) or currency exchange rate or controls in or affecting the PRC, Hong Kong, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to our Group or the Global Offering (each a "**Relevant Jurisdiction**"); or

(ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, economic sanctions, strikes, labor disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, acts of God, epidemic, pandemic, outbreak of infectious disease (excluding such large outbreak of diseases, epidemics or pandemics subsisting as of the date of the Hong Kong Underwriting Agreement which have not materially escalated thereafter), accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions, or without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(iv) the imposition or declaration of (a) any moratorium, suspension or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, SSE STAR Market, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; (b) any moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company listed or quoted on a stock exchange or an over-the-counter market or (c) any moratorium on commercial banking activities in or affecting any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services in those places or jurisdictions; or

(v) any change or development involving a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(vi) any (a) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (b) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(vii) any imposition of comprehensive sanctions, in whatever form, directly or indirectly, on our Company or any member of our Group in any of the Relevant Jurisdictions; or

(viii) a valid demand by any creditor for repayment or payment of any of our Company's indebtedness or those of any of its subsidiaries or in respect of which our Company or any of our subsidiaries are liable, of an amount not less than HK$50 million, prior to its stated maturity; or

(ix) materialization of any of the risks set out in the section "Risk Factors" in this prospectus;

and which, in any such case, individually or in aggregate, and in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) after prior consultation with our Company:

(a) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition (financial, operational, or otherwise), or prospects of our Group as a whole; or

(b) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes or will make or is likely to make it inadvisable or inexpedient or impracticable or incapable for the Hong Kong Public Offering and/or the Global Offering to proceed or to market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the **GREEN** Application Form, the formal notice in relation to the Hong Kong Public Offering (the "**Formal Notice**"), the Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement) or the Final Offering Circular (as defined in the Hong Kong Underwriting Agreement); or

(d) has or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) after the date of the Hong Kong Underwriting Agreement that:

(i) any statement contained in any of the Global Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any respect; or any forecast, estimate, expression of opinion, intention or expectation contained therein was, when it was issued, or has become unfair or misleading in any material respect or based on untrue, dishonest or unreasonable assumptions or given in bad faith; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom, or misstatement therein; or

(iii) either (A) there has been a material breach of, any of the representations, warranties, obligations, undertakings or provisions of any of the Underwriting Agreements or the Cornerstone Investment Agreements by our Company or (B) any of the representations, warranties, obligations and undertakings given by our Company in any of the Underwriting Agreements, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading in any material respect; or

(iv) any event, act or omission which gives rise or is likely to give rise to any liability of our Company pursuant to the indemnities under the Hong Kong Underwriting Agreement; or

(v) any material adverse change, or any material development or any prospective material adverse change or development, in the condition (financial or otherwise) or in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or

(vi) that (a) any Director, Supervisor, or any member of senior management of our Company named in this prospectus seeks to retire, or is removed from office, (b) any certificate given by our Company or any of its respective officers to any of the Joint Global Coordinators under or in connection with the Hong Kong Underwriting Agreement or the Global Offering is false or misleading in any material respect or (c) any Director, Supervisor or any member of senior management of our Company named in this prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or (d) any litigation or claim instigated, or any litigation or claim being threatened against any member of our Group or any Director or Supervisor; or (e) any contravention by any member of our Group or any Director or Supervisor of the Listing Rules or applicable laws; or (f) any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or any political body or organization in any Relevant Jurisdiction is commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director or Supervisor; or

(vii) an order or petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(viii) our Company withdraws this prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or

(ix) any non-compliance of the Prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(x) the approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the Over-allotment Option), is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(xi) the approval granted by the CSRC authorizing the Company to apply for the listing of the H Shares on the Stock Exchange pursuant to the Global Offering, is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(xii) any prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(xiii) any person (other than any of the Joint Sponsors) has withdrawn or sought to withdraw its consent to being named in any of the Global Offering Documents or to the issue of any of the Global Offering Documents; or

(xiv) that a material portion of the orders placed or confirmed in the book-building process, or of the investment commitments made by any Cornerstone Investors under agreements signed with such Cornerstone Investors, have been withdrawn, terminated or canceled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further H Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of H Shares or securities of our Company will be completed within six months from the Listing Date), except pursuant to the Global Offering, the exercise of the Over-allotment Option and/or under the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except: (a) pursuant to the Global Offering (including the Over-allotment Option); or (b) with the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters); and unless in compliance with the Listing Rules, we shall not, during a period of six months from the Listing Date (the "**First Six-Month Period**") and whether conditionally or unconditionally:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any interests or encumbrance in respect of, or agree to transfer or dispose of or create any interests or encumbrance in respect of, either directly or indirectly, conditionally or unconditionally, any H Shares or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares as applicable), or deposit any H Shares, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into a transaction or an arrangement (including, without limitation, a swap or other derivative transaction) that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to do any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of H Shares as applicable, or in cash or otherwise (whether or not the issue of the H Shares will be completed within the First Six-Month Period), provided that the foregoing restrictions shall not apply to the issue of H Shares by our Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that such transaction, agreement or, as the case may be, such announcement will not create a disorderly or false market in the securities of our Company.

Indemnity

Our Company has agreed to indemnify the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested directly or indirectly in any of our H Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our H Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set forth therein, severally, but not jointly, agree to subscribe or procure subscribers for the Offer Shares being offered pursuant to the International Offering (subject to, among others, any reallocation between the International Offering and the Hong Kong Public Offering). See "Structure of the Global Offering — The International Offering". It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong

Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company is expected to grant to the Joint Global Coordinators the Over-allotment Option, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), at any time from the Listing Date until 30 days from the date of the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 2,644,200 H Shares, representing no more than 15% of the initial Offer Shares in aggregate, at the same price per Offer Share under the International Offering to cover over-allocations in the International Offering, if any.

Total Commission and Expenses

The Underwriters will receive an underwriting commission of 2.00% of the aggregate Offer Price payable for the Offer Shares initially offered under the Global Offering, out of which they shall pay any sub-underwriting commissions (if applicable) in respect of the Global Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters in accordance with the International Underwriting Agreement as appropriate (but not the Hong Kong Underwriters). Our Company shall pay to Guotai Junan Securities an incentive fee of 0.5% of the aggregate Offer Price of the Offer Shares. In addition, our Company may, at our sole and absolute discretion, pay to any or all of the Joint Global Coordinators an incentive fee of up to 0.5% of the aggregate Offer Price of the Offer Shares.

The aggregate commissions and fees (including the maximum amount of discretionary incentive fee), together with brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$76.9 million, representing approximately 6.4% of the gross proceeds from the Global Offering (assuming (i) an Offer Price of HK$68.00 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), and (ii) the Over-allotment Option is not exercised at all), are payable and borne by the Company.

Joint Sponsors' Fee

A total amount of HK$9.0 million is payable by our Company as sponsor fees to the Joint Sponsors.

JOINT SPONSORS' INDEPENDENCE

Guotai Junan Capital Limited does not satisfy the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules because Guotai Junan Securities Co., Ltd., which is a controlling shareholder of the indirect holding company of Guotai Junan Capital Limited, had provided sponsorship services to our Company in connection with our A shares listing on The Shanghai Stock Exchange Science and Technology Innovation Board of The Shanghai Stock Exchange (stock code: 688339), and since August 2020 after our A shares listing, Guotai Junan Securities Co., Ltd. has been providing continuous supervisory services to our Company.

Giraffe Capital Limited, being one of the Joint Sponsors, satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

Set out below is a variety of activities that each of the Underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "**Syndicate Members**", may undertake, and which do not form part of the underwriting or the stabilizing process. It should be noted that when engaging in any these activities the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, none of the Underwriters (except for the Joint Global Coordinators, their respective affiliate(s) or any person(s) acting for them for the purpose of taking any stabilizing action) will, and each of the Underwriters will procure that none of its respective affiliates and agents will, in connection with the distribution of the Offer Shares, effect, cause or authorize any other person to effect any transactions including, but not limited to issuing options or derivatives on the underlying H Shares (whether in the open market or otherwise and whether in Hong Kong or elsewhere) with a view to stabilizing or maintaining the market price of any of the H Shares at a level higher than that which might otherwise prevail in the open market or any action which is designed to or which constitutes or which might be expected to, cause or result in the stabilization or manipulation, in violation of applicable laws, of the price of any security of the Company; and

(b) none of the Underwriters (other than the Joint Global Coordinators or their respective affiliate(s) or any other person(s) acting for them for the purpose of taking any stabilizing action), will, during the period which begins on the commencement of trading of the H Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, issue any warrant, option or derivative on the underlying H Shares (whether in the open market or otherwise), except with the prior written consent of the Joint Global Coordinators.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares and entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering — Over-allotment Option" and "Structure of the Global Offering — Stabilization" in this prospectus. These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares, and the volatility of the H Shares and their share price, and the extent to which this occurs from day to day cannot be estimated.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of initially 1,762,800 H Shares in Hong Kong as described below in the section entitled "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 15,865,200 H Shares to be offered outside the United States in reliance on Regulation S. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators, as representatives of the International Underwriters, have an option to require the Company to issue and allot up to an aggregate of 2,644,200 additional H Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 15% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.87% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section headed "Structure of the Global Offering — The International Offering — Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section headed "— The Hong Kong Public Offering — Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 1,762,800 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares will represent approximately 1.50% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" below.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications to be received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B (with any odd lots being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly.

For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 881,400 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the discretion of the Joint Global Coordinators, subject to the following:

(a) where the International Offer Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering is fully subscribed or oversubscribed by less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 1,762,800 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 3,525,600 Offer Shares, representing approximately 20% of the total number of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 5,288,400 Offer Shares (in the case of (1)), 7,051,200 Offer Shares (in the case of (2)) and 8,814,000 Offer Shares (in the case of (3)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;

(b) where the International Offer Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless fully underwritten by the Underwriters; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 1,762,800 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 3,525,600 Offer Shares, representing approximately 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the low end of the Offer Price range (i.e. HK$60.00 per Offer Share) according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he/she/it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$76.00 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "Structure of the Global Offering — Pricing of the Global Offering" below, is less than the maximum price of HK$76.00 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 15,865,200 H Shares representing approximately 90% of the Offer Shares under the Global Offering and approximately 13.5% of the Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "— Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell the Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that he/she/it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection headed "— The Hong Kong Public Offering — Reallocation" or the Over- allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the Listing Date until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 2,644,200 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price, to cover over-allocation in the International Offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.20% of the Company's enlarged share capital immediately following the completion of the Global

Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made. The Joint Global Coordinators may also cover any over-allocations by purchasing the H Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

STABILIZATION

Stabilization is a usual practice used by underwriters in many markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases to be made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, namely, 2,644,200 H Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H shares;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;

(c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling the H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Saturday, February 4, 2023. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by applicants. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the International Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, January 5, 2023, and in any event on or before Friday, January 6, 2023, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$76.00 per Offer Share and is expected to be not less than HK$60.00 per Offer Share unless to be otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price stated below in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be posted on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.sinohytec.com**) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the offer price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and the Company, will be fixed within such revised Offer Price range.

Supplemental listing documents will also be issued by the Company in the event of a reduction in the number of Offer Shares or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If the number of Offer Shares being offered under the Global Offering or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include such information as agreed with the Hong Kong Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of the initial Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The International Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to the Company (after deduction of underwriting commissions and other expenses in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$985.0 million, assuming an Offer Price per Offer Share of HK$60.00, or approximately HK$1,258.6 million, assuming an Offer Price per Offer Share of HK$76.00 (or if the Over-allotment Option is exercised in full, approximately HK$1,139.3 million, assuming an Offer Price per Offer Share of HK$60.00, or approximately HK$1,453.9 million, assuming an Offer Price per Offer Share of HK$76.00).

The Offer Price under the Global Offering is expected to be announced on Wednesday, January 11, 2023. The indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, January 11, 2023 on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.sinohytec.com**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting".

ADMISSION OF THE H SHARES INTO CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, January 12, 2023, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, January 12, 2023. The H Shares will be traded in board lots of 50 H Shares each and the stock code of the H Shares will be 2402.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Friday, January 6, 2023, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.sinohytec.com**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in (a) separate Company account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Wednesday, January 11, 2023 but will only become valid evidence of title at 8:00 a.m. on Thursday, January 12, 2023 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the Offer Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of the prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.sinohytec.com. If you require a printed copy of the prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application online via **HK eIPO White Form** for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar and **HK eIPO White Form** Service Provider, Tricor Investor Services Limited, at +852 3907 7333 on the following dates:

- **Thursday, December 29, 2022 — 9:00 a.m. to 6:00 p.m.**
- **Friday, December 30, 2022 — 9:00 a.m. to 6:00 p.m.**
- **Tuesday, January 3, 2023 — 9:00 a.m. to 6:00 p.m.**
- **Wednesday, January 4, 2023 — 9:00 a.m. to 6:00 p.m.**
- **Thursday, January 5, 2023 — 9:00a.m. to 12:00 noon**

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Offer Shares.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System **(https://ip.ccass.com)** or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director, Supervisor or chief executive officer of the Company and/or any of the Company's subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form service**, you must:

- have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);
- have a Hong Kong address; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 50 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
50	3,838.32	800	61,413.17	7,000	537,365.22	100,000	7,676,646.00
100	7,676.65	900	69,089.81	8,000	614,131.68	200,000	15,353,292.00
150	11,514.97	1,000	76,766.45	9,000	690,898.15	300,000	23,029,938.00
200	15,353.29	1,500	115,149.69	10,000	767,664.60	400,000	30,706,584.00
250	19,191.61	2,000	153,532.92	20,000	1,535,329.20	500,000	38,383,230.00
300	23,029.94	2,500	191,916.16	30,000	2,302,993.80	600,000	46,059,876.00
350	26,868.26	3,000	230,299.38	40,000	3,070,658.40	700,000	53,736,522.00
400	30,706.59	3,500	268,682.61	50,000	3,838,323.00	800,000	61,413,168.00
450	34,544.90	4,000	307,065.85	60,000	4,605,987.60	881,400*	67,661,957.84
500	38,383.24	4,500	345,449.06	70,000	5,373,652.20		
600	46,059.88	5,000	383,832.30	80,000	6,141,316.80		
700	53,736.53	6,000	460,598.75	90,000	6,908,981.40		

* Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE HK EIPO WHITE FORM SERVICE

General

Investors who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

The application for the Offer Shares will commence on Thursday, December 29, 2022 through Thursday, January 5, 2023, being longer than normal market practice of three and a half days.

Time for Submitting Applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider in the **IPO App** or on the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, December 29, 2022 until 11:30 a.m. on Thursday, January 5, 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, January 5, 2023 or such later time under the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists".

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

If you are a nominee, in the box marked "For Nominees" you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 42E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System **(https://ip.ccass.com)** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the H Share Registrar.

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's H Share register as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing he application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree with the Company, for itself and for the benefit of each of the Shareholder and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholder and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that the H Shares are freely transferable by their holders;

- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, December 29, 2022 — 9:00 a.m. to 8:30 p.m.
- Friday, December 30, 2022 — 8:00 a.m. to 8:30 p.m.
- Saturday, December 31, 2022 — 8:00 a.m. to 1:00 p.m.
- Tuesday, January 3, 2023 — 8:00 a.m. to 8:30 p.m.
- Wednesday, January 4, 2023 — 8:00 a.m. to 8:30 p.m.
- Thursday, January 5, 2023 — 8:00a.m. to 12:00 noon

The application for the Offer Shares will commence on Thursday, December 29, 2022 through Thursday, January 5, 2023, being longer than normal market practice of three and a half days.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, December 29, 2022 until 12:00 noon on Thursday, January 5, 2023 (24 hours daily, except on Thursday, January 5, 2023, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, January 5, 2023, the last application day or such later time as described in the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists".

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note 1: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results", the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the H Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service or the **HK eIPO White Form** Service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Share to supply correct personal data to the Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Member;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holder may from time to time agree.

Transfer of personal data

Personal data held by the Company and its H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data, to from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;

- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS; any agents contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;

- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

- any persons or institutions with which the holders of the Hong Kong Offer Shares have or purpose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and its H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's H Share Registrar for the attentions of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares through the **CCASS EIPO** service is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant applying through the **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, January 5, 2023, the last day for applications, or such later time as described in "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of the Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference number without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;

- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 50 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 50 Hong Kong Offer Shares must be in one of the numbers set out in the table in "4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS" in this section, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy and AFRC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC and AFRC, respectively).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 5, 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, January 5, 2023 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, January 11, 2023 on the Company's website at **www.sinohytec.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.sinohytec.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, January 11, 2023;
- from "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, January 11, 2023 to 12:00 midnight on Tuesday, January 17, 2023;
- from the results allocation telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, January 11, 2023 to Monday, January 16, 2023 (excluding Saturday and Sunday).

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;

- your payment is not made correctly;

- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 881,400 Offer Shares, being 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$76.00 per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on Wednesday, January 11, 2023.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or around Wednesday, January 11, 2023. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Thursday, January 12, 2023 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade the H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, January 11, 2023, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, January 11, 2023 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) in your name (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

(ii) If you apply through the CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, January 11, 2023, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, January 11, 2023. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, January 11, 2023 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, January 11, 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, January 11, 2023.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-116, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong.

MOORE

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING SINOHYTEC CO., LTD., GUOTAI JUNAN CAPITAL LIMITED AND GIRAFFE CAPITAL LIMITED

Introduction

We report on the historical financial information of Beijing Sinohytec Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-116, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022 (the "**Track Record Period**"), the consolidated statements of financial position of the Group as at December 31, 2019, 2020 and 2021 and June 30, 2022, the statements of financial position of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-116 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 29, 2022 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ("**HKSIR 200**") "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Group as at December 31, 2019, 2020 and 2021 and June 30, 2022 and the financial position of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022 and of the consolidated financial performance and consolidated cash flows of the Group for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended June 30, 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

No dividend was declared or paid by the Company in respect of the Track Record Period.

Yours faithfully,

Moore Stephens CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, December 29, 2022

I. HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and were audited by Moore Stephens CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	6	553,620	572,293	629,369	117,774	269,143
Cost of sales		(307,074)	(324,951)	(393,339)	(81,343)	(164,660)
Gross profit		246,546	247,342	236,030	36,431	104,483
Other income, gains and losses	7	93,370	53,473	19,596	19,322	(4,842)
Selling and distribution expenses		(48,471)	(38,833)	(62,278)	(17,360)	(33,395)
Administrative expenses		(89,933)	(91,203)	(126,657)	(46,529)	(80,423)
Research and development expenses		(83,902)	(74,671)	(92,773)	(35,431)	(60,264)
(Impairment losses)/reversal of impairment losses on financial assets	8	(60,384)	(95,846)	(176,963)	2,262	3,294
Finance costs	9	(9,695)	(8,951)	(5,852)	(2,910)	(3,419)
Share of results of associates		(4,749)	(10,833)	(1,748)	(3,007)	(3,241)
Share of results of a joint venture		—	—	(4,730)	—	(7,901)
Listing expenses		—	—	(10,939)	—	(9,660)
PROFIT/(LOSS) BEFORE TAXATION	11	42,782	(19,522)	(226,314)	(47,222)	(95,368)
Income tax credit	12	3,117	9,760	40,930	11,529	13,812
PROFIT/(LOSS) FOR THE YEAR/PERIOD		45,899	(9,762)	(185,384)	(35,693)	(81,556)
OTHER COMPREHENSIVE INCOME/(EXPENSE)						
Item that will not be reclassified to profit or loss:						
Fair value changes in equity instruments at fair value through other comprehensive income, net of income tax		—	—	92,473	—	40,715
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD		45,899	(9,762)	(92,911)	(35,693)	(40,841)

		Year ended December 31,			Six months ended June 30,	
		2019	**2020**	**2021**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO:						
Owners of the Company		63,910	(366)	(146,369)	(17,455)	(59,782)
Non-controlling interests		(18,011)	(9,396)	(39,015)	(18,238)	(21,774)
		45,899	(9,762)	(185,384)	(35,693)	(81,556)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD ATTRIBUTABLE TO:						
Owners of the Company		63,910	(366)	(53,896)	(17,455)	(19,067)
Non-controlling interests		(18,011)	(9,396)	(39,015)	(18,238)	(21,774)
		45,899	(9,762)	(92,911)	(35,693)	(40,841)
EARNINGS/(LOSS) PER SHARE	16					
Basic *(RMB)*		0.89	—	(1.48)	(0.18)	(0.60)
Diluted *(RMB)*		0.89	—	(1.48)	(0.18)	(0.60)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at June 30,
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	17	173,604	289,468	449,373	488,254
Right-of-use assets	18	58,020	43,064	38,638	34,162
Intangible assets	19	73,130	136,781	205,074	212,058
Interests in associates	20	75,116	130,269	190,982	187,741
Interest in a joint venture	21	—	—	128,183	120,282
Equity instruments at fair value through other comprehensive income	23a	62,109	62,109	170,900	218,800
Financial assets at fair value through profit or loss	23b	—	—	2,800	2,800
Deferred tax assets	35	23,895	45,995	70,550	74,197
Prepayments, deposits and other receivables	27	42,819	37,285	32,537	35,590
Total non-current assets		508,693	744,971	1,289,037	1,373,884
CURRENT ASSETS					
Inventories	24	204,653	172,554	260,360	295,008
Trade and bills receivables	25	676,744	935,912	844,369	779,493
Contract assets	26	18,731	25,661	25,785	26,014
Prepayments, deposits and other receivables	27	78,885	74,919	107,686	123,053
Financial assets at fair value through profit or loss	23b	—	50,000	222,170	374,082
Restricted and pledged bank deposits	28	2	91,597	51,318	30,524
Cash and cash equivalents	28	201,537	965,929	804,967	633,017
Total current assets		1,180,552	2,316,572	2,316,655	2,261,191
CURRENT LIABILITIES					
Trade and bills payables	29	205,977	261,581	313,345	319,859
Other payables and accruals	30	112,515	57,726	116,125	109,094
Contract liabilities	31	7,075	2,923	5,772	7,615
Tax payable		9,917	12,614	2,020	197
Bank borrowings — amount due within one year	32	105,000	150,382	117,825	165,273
Lease liabilities	33	11,063	6,475	6,931	5,246
Total current liabilities		451,547	491,701	562,018	607,284
NET CURRENT ASSETS		729,005	1,824,871	1,754,637	1,653,907
TOTAL ASSETS LESS CURRENT LIABILITIES		1,237,698	2,569,842	3,043,674	3,027,791

		As at December 31,			As at June 30,
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Bank borrowings — amount due after one year	32	—	20,000	—	19,600
Deferred income	34	72,958	95,883	112,268	120,595
Deferred tax liabilities	35	3,120	4,796	6,356	3,174
Other payables and accruals	30	12,878	19,856	28,651	31,226
Lease liabilities	33	3,511	8,169	3,517	1,155
Total non-current liabilities		92,467	148,704	150,792	175,750
Net assets		1,145,231	2,421,138	2,892,882	2,852,041
EQUITY					
Capital and reserves attributable to owners of the Company					
Share capital	36	52,869	70,500	71,351	99,891
Reserves	37	1,001,076	2,203,228	2,431,294	2,383,687
Total equity attributable to owners of the parent		1,053,945	2,273,728	2,502,645	2,483,578
Non-controlling interests		91,286	147,410	390,237	368,463
Total equity		1,145,231	2,421,138	2,892,882	2,852,041

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,			As at June 30,
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	17	27,139	30,914	48,241	47,720
Right-of-use assets	18	1,095	12,485	10,153	6,864
Intangible assets	19	46,394	77,791	143,584	150,911
Investments in subsidiaries	22	250,270	309,920	341,925	342,925
Interests in associates	20	3,601	41,759	105,207	102,422
Interest in a joint venture	21	—	—	128,183	120,282
Equity instruments at fair value through other comprehensive income	23a	62,109	62,109	170,900	218,800
Deferred tax assets	35	2,740	7,831	—	—
Prepayments, deposits and other receivables	27	28,880	26,560	20,335	19,009
Total non-current assets		422,228	569,369	968,528	1,008,933
CURRENT ASSETS					
Inventories	24	143,332	120,130	158,030	137,429
Trade and bills receivables	25	413,029	655,791	712,317	708,879
Contract assets	26	7,927	5,949	4,495	7,148
Prepayments, deposits and other receivables	27	17,881	23,563	38,141	46,364
Amounts due from subsidiaries	22	102,204	200,701	375,165	388,867
Financial assets at fair value through profit or loss	23b	—	50,000	2,000	240,853
Restricted and pledged bank deposits	28	2	89,197	45,535	18,640
Bank balances and cash	28	82,348	880,307	671,657	569,123
Total current assets		766,723	2,025,638	2,007,340	2,117,303
CURRENT LIABILITIES					
Trade and bills payables	29	130,892	218,474	314,326	406,683
Other payables and accruals	30	32,538	27,561	50,891	36,228
Contract liabilities	31	738	540	155	431
Amount due to a subsidiary	22	—	—	2,957	4,240
Tax payable		2,696	5,073	506	—
Bank borrowings — amount due within one year	32	10,000	46,382	44,845	102,993
Lease liabilities	33	1,454	4,523	5,865	5,127
Total current liabilities		178,318	302,553	419,545	555,702
NET CURRENT ASSETS		588,405	1,723,085	1,587,795	1,561,601
TOTAL ASSETS LESS CURRENT LIABILITIES		1,010,633	2,292,454	2,556,323	2,570,534

		As at December 31,			As at June 30,
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Bank borrowings — amount due after one year	32	—	20,000	—	—
Deferred income	34	29,919	42,802	36,475	35,723
Deferred tax liabilities	35	—	—	1,383	1,664
Other payables and accruals	30	4,778	8,477	13,161	16,117
Lease liabilities	33	—	6,336	3,517	1,155
Total non-current liabilities		34,697	77,615	54,536	54,659
Net assets		975,936	2,214,839	2,501,787	2,515,875
EQUITY					
Share capital	36	52,869	70,500	71,351	99,891
Reserves	37	923,067	2,144,339	2,430,436	2,415,984
Total equity		975,936	2,214,839	2,501,787	2,515,875

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Other reserve	Statutory surplus reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (Note 36)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Note 37)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	46,557	556,096	30,014	—	4,866	—	46,851	684,384	63,956	748,340
Profit and total comprehensive income for the year	—	—	—	—	—	—	63,910	63,910	(18,011)	45,899
Appropriation to statutory reserve	—	—	—	—	2,949	—	(2,949)	—	—	—
Issue of shares *(Note 36(a))*	6,312	288,869	—	—	—	—	—	295,181	—	295,181
Deemed disposal of a subsidiary *(Note 43)*	—	—	(2,126)	—	—	—	—	(2,126)	(79,341)	(81,467)
Capital contribution from non-controlling interests	—	—	12,596	—	—	—	—	12,596	124,682	137,278
At December 31, 2019	52,869	844,965	40,484	—	7,815	—	107,812	1,053,945	91,286	1,145,231
At January 1, 2020	52,869	844,965	40,484	—	7,815	—	107,812	1,053,945	91,286	1,145,231
Loss and total comprehensive expense for the year	—	—	—	—	—	—	(366)	(366)	(9,396)	(9,762)
Appropriation to statutory reserve	—	—	—	—	1,401	—	(1,401)	—	—	—
Issue of shares *(Note 36(b))*	17,631	1,207,038	—	—	—	—	—	1,224,669	—	1,224,669
Capital contribution from non-controlling interests	—	—	(4,520)	—	—	—	—	(4,520)	65,520	61,000
At December 31, 2020	70,500	2,052,003	35,964	—	9,216	—	106,045	2,273,728	147,410	2,421,138

	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Other reserve	Statutory surplus reserve	Fair value reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000 *(Note 36)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note 37)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	70,500	2,052,003	35,964	—	9,216	—	106,045	2,273,728	147,410	2,421,138
Loss for the year	—	—	—	—	—	—	(146,369)	(146,369)	(39,015)	(185,384)
Other comprehensive income for the year, net of income tax	—	—	—	—	—	92,473	—	92,473	—	92,473
Total comprehensive income/ (expense) for the year	—	—	—	—	—	92,473	(146,369)	(53,896)	(39,015)	(92,911)
Statutory provisions	—	—	—	24	—	—	—	24	—	24
Placement of shares *(Note 36(c))*	851	194,383	—	—	—	—	—	195,234	—	195,234
Acquisition of equity interest from non-controlling interests *(Note 42)*	—	—	(7,464)	—	—	—	—	(7,464)	(7,139)	(14,603)
Capital contribution from non-controlling interests *(Note 42)*	—	—	95,019	—	—	—	—	95,019	288,981	384,000
At December 31, 2021	71,351	2,246,386	123,519	24	9,216	92,473	(40,324)	2,502,645	390,237	2,892,882
At January 1, 2022	71,351	2,246,386	123,519	24	9,216	92,473	(40,324)	2,502,645	390,237	2,892,882
Loss for the period	—	—	—	—	—	—	(59,782)	(59,782)	(21,774)	(81,556)
Other comprehensive income for the period, net of income tax	—	—	—	—	—	40,715	—	40,715	—	40,715
Total comprehensive income/ (expense) for the period	—	—	—	—	—	40,715	(59,782)	(19,067)	(21,774)	(40,841)
Appropriation to maintenance and production funds	—	—	—	290	—	—	(290)	—	—	—
Utilization of maintenance and production funds	—	—	—	(32)	—	—	32	—	—	—
Issue by capitalization of capital reserve	28,540	(28,540)	—	—	—	—	—	—	—	—
At June 30, 2022	99,891	2,217,846	123,519	282	9,216	133,188	(100,364)	2,483,578	368,463	2,852,041
(Unaudited)										
At January 1, 2021	70,500	2,052,003	35,964	—	9,216	—	106,045	2,273,728	147,410	2,421,138
Loss and total comprehensive expense for the period	—	—	—	—	—	—	(17,455)	(17,455)	(18,238)	(35,693)
Total comprehensive expense for the period	—	—	—	—	—	—	(17,455)	(17,455)	(18,238)	(35,693)
Appropriation to statutory reserve	—	—	—	—	959	—	(959)	—	—	—
Appropriation to maintenance and production funds	—	—	—	60	—	—	—	60	—	60
Acquisition of equity interest from non-controlling interest	—	—	(7,464)	—	—	—	—	(7,464)	(7,142)	(14,606)
At June 30, 2021	70,500	2,052,003	28,500	60	10,175	—	87,631	2,248,869	122,030	2,370,899

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before taxation		42,782	(19,522)	(226,314)	(47,222)	(95,368)
Adjustments for:						
Amortization of deferred income	34	(14,555)	(4,664)	(14,597)	(1,303)	(3,073)
Interest income	7	(3,879)	(12,070)	(21,305)	(10,036)	(11,779)
Finance costs	9	9,695	8,951	5,852	2,910	3,419
Share of results of associates		4,749	10,833	1,748	3,007	3,241
Share of results of a joint venture		—	—	4,730	—	7,901
Written off of property, plant and equipment		—	11,137	3,051	—	—
Impairment loss on property, plant and equipment	7	15,988	—	—	—	—
(Gains)/losses on disposal of property, plant and equipment	7	(18)	3	806	350	129
Gain on disposal of interest in an associate	7	—	(11,615)	—	—	—
Gain on deemed disposals of interests in associates	7	—	(22,440)	(16,261)	—	—
Gain on deemed disposal of interest in a subsidiary	7	(63,459)	—	—	—	—
Depreciation of property, plant and equipment	11	20,979	23,133	32,127	15,151	24,374
Depreciation of right-of-use assets	11	7,811	9,453	8,440	3,956	4,476
Amortization of intangible assets	11	1,538	3,412	8,024	3,070	12,126
Write down of inventories	7	9,679	15,905	47,056	—	27,606
Impairment losses/(reversal of impairment losses) on financial assets	8	60,384	95,846	176,963	(2,262)	(3,294)
Provision of warranty		7,979	7,494	11,851	1,579	3,847
Foreign exchange losses/(gains), net	7	447	39	6	(18)	13
		100,120	115,895	22,177	(30,818)	(26,382)
(Increase)/decrease in inventories		(103,070)	16,194	(134,862)	(178,804)	(62,254)
(Increase)/decrease in trade and bills receivables		(227,783)	(351,385)	(73,156)	107,790	70,208
(Increase)/decrease in contract assets		(19,471)	(9,091)	(4,257)	(349)	687
(Increase)/decrease in prepayments, deposits and other receivables		(45,884)	9,703	(34,319)	(32,011)	(15,767)
Increase/(decrease) in trade and bills payables		93,817	55,604	51,764	(60,780)	6,514
Increase/(decrease) in other payables and accruals		21,341	(55,340)	55,438	37,176	(4,329)
(Decrease)/increase in contract liabilities		(786)	(4,152)	2,849	27,063	1,843
Increase in deferred income		12,693	27,589	30,982	10,606	11,400
Cash used in operations		(169,023)	(194,983)	(83,384)	(120,127)	(18,080)
Income tax paid		(10,221)	(7,967)	(8,979)	(8,970)	(2,025)
Net cash used in operating activities		(179,244)	(202,950)	(92,363)	(129,097)	(20,105)

	Notes	Year ended December 31, 2019 RMB'000	2020 RMB'000	2021 RMB'000	Six months ended June 30, 2021 RMB'000 (unaudited)	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of land use right	18	(39,365)	—	(184)	—	—
Payments for purchases of property, plant and equipment	17	(78,009)	(128,055)	(196,584)	(10,347)	(72,138)
Payments for purchases of intangible assets	19	(60,099)	(67,063)	(76,317)	(44,438)	(19,110)
Investments in associates		(6,000)	(46,216)	(49,000)	(29,000)	—
Payments for purchase of wealth management products classified as financial assets at fair value through profit or loss		—	(188,500)	(672,000)	—	(737,000)
Proceeds from disposal of wealth management products classified as financial assets at fair value through profit or loss		—	139,020	503,238	51,215	590,726
Proceeds from disposal of property, plant and equipment		69	60	695	25	73
Proceeds from partial disposal of an associate	20(d)	—	14,285	—	—	—
Capital contribution to a joint venture	21	—	—	(132,913)	—	—
Decrease/(increase) in restricted and pledged bank deposits		578	(91,595)	40,279	84,391	20,794
Bank interest received		2,442	9,667	16,019	7,890	5,241
Net cash outflow from deemed disposal of a subsidiary	43	(15,191)	—	—	—	—
Net cash (used in)/from investing activities		(195,575)	(358,397)	(566,767)	59,736	(211,414)
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid	40	(4,143)	(7,703)	(5,324)	(2,664)	(3,206)
Proceeds from bank borrowings	40	153,000	175,382	99,825	40,000	126,124
Repayment of bank borrowings	40	(119,000)	(110,000)	(152,382)	(112,382)	(59,076)
Proceeds from issue of shares	36	295,181	1,224,669	195,234	—	—
Acquisition of non-controlling interest		—	—	(14,603)	(14,606)	—
Capital contribution from non-controlling shareholders upon additional capital injections of subsidiaries		137,278	61,000	384,000	—	—
Payment for principal portion of lease liabilities	40	(12,004)	(16,357)	(7,977)	(4,042)	(4,047)
Payment for interest portion of lease liabilities	40	(5,493)	(1,213)	(599)	(305)	(213)
Net cash from/(used in) financing activities		444,819	1,325,778	498,174	(93,999)	59,582
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		70,000	764,431	(160,956)	(163,360)	(171,937)
Cash and cash equivalents at beginning of the year/period		131,984	201,537	965,929	965,929	804,967
Effect of foreign exchange rate changes, net		(447)	(39)	(6)	18	(13)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH	28	201,537	965,929	804,967	802,587	633,017

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Beijing Sinohytec Co., Ltd. (the "**Company**") is a joint stock company with limited liability established in the People's Republic of China (hereafter, the "**PRC**") on July 12, 2012. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and the Company's shares were listed on the Shanghai Stock Exchange (stock code: 688339.SH) on August 10, 2020. The registered address of the office of the Company is Room C701, 7/F Block C, Building B-6, Dongsheng Technology Park, Zhongguancun, No. 66, Xixiaokou Road, Haidian District, Beijing.

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in designing, development and manufacturing of fuel cell systems, including fuel cell stacks, a key component of the system, for the commercial vehicle market.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

During the Track Record Period and as at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name of entities	Place and date of incorporation/ establishment	Nominal value of registered share capital	Nominal value of paid-up share capital	Equity/beneficial interest held by the Group as at December 31, 2019	December 31, 2020	December 31, 2021	June 30, 2022	At date of this report	Principal activities	Notes
				%	%	%	%	%		
Directly held by the Company										
上海神力科技有限公司 Shanghai SinoFuelCell Co., Ltd.* (“**Shanghai SinoFuelCell**”)	PRC/June 25, 1998	RMB84,952,654	RMB75,770,014	31.88	32.03	25.60	25.60	25.60	Research and development, manufacturing and sales of fuel cell stack and fuel cell testing equipment.	(a), (b), (h), (m)
億華通動力科技有限公司 SinoHytec Power Technology Co., Ltd.* (“**SinoHytec Power**”)	PRC/November 4, 2016	RMB129,668,010	RMB129,668,010	97.12	97.12	100.00	100.00	100.00	Manufacturing and sales of fuel cell system and related components.	(a), (j), (h)
北京青谷科技有限公司 Beijing Qinggu Technology Co., Ltd.*	PRC/November 1, 2017	RMB100,000,000	Nil	100.00	100.00	100.00	100.00	N/A	Inactive.	(f), (l)
國創河北氫能產業創新中心有限公司 Guochuang Hebei Hydrogen Energy Industry Innovation Center Co., Ltd.	PRC/December 16, 2019	RMB30,000,000	RMB1,050,000	100.00	100.00	100.00	100.00	100.00	Research and development, manufacturing of fuel cell components.	(f)
北京未來氫谷科技有限公司 Beijing Future Hydrogen Valley Technology Co., Ltd.*	PRC/July 4, 2019	RMB101,000,000	RMB30,000,000	100.00	100.00	100.00	100.00	100.00	Research and development, manufacturing and trading of fuel cell components.	(c), (g)
成都億華通動力科技有限公司 Chengdu SinoHytec Power Technology Co., Ltd.* (“**Chengdu SinoHytec**”)	PRC/July 16, 2019	RMB50,000,000	RMB3,000,000	100.00	100.00	100.00	100.00	100.00	Research and development, manufacturing of fuel cell components.	(f)

Name of entities	Place and date of incorporation/ establishment	Nominal value of registered share capital	Nominal value of paid-up share capital	Equity/beneficial interest held by the Group as at December 31, 2019	December 31, 2020	December 31, 2021	June 30, 2022	At date of this report	Principal activities	Notes
				%	%	%	%	%		
成都國氫華通科技有限公司 Chengdu Guoqinghuatong Technology Co., Ltd.* ("**Chengdu Guoqinghuatong**")	PRC/August 9, 2019	RMB40,000,000	RMB21,050,000	70.00	70.00	70.00	70.00	70.00	Research and development, manufacturing of fuel cell components.	(c), (g)
北京聚興華通氫能科技有限公司 Beijing Juxinghuatong Hydrogen Energy Technology Co., Ltd.*	PRC/October 23, 2020	RMB30,000,000	RMB4,000,000	N/A	100.00	100.00	100.00	100.00	Manufacturing and sales of fuel cell system and related components.	(d)
山東華清動力科技有限公司 Shandong Huaqing Dongli Technology Co., Ltd.*	PRC/November 6, 2020	RMB30,000,000	RMB1,500,000	N/A	100.00	100.00	100.00	100.00	Manufacturing and sales of fuel cell system and related components.	(d)
湖北國創氫能動力科技有限公司 Hubei Guochuang Hydrogen Power Technology Co., Ltd.*	PRC/June 9, 2021	RMB100,000,000	Nil	N/A	N/A	50.00	50.00	50.00	Inactive.	(e), (n)
唐山謙辰新能源發展有限公司 Tangshan Qianchen New Energy Development Co., Ltd.*	PRC/July 29, 2021	RMB50,000,000	Nil	N/A	N/A	80.00	80.00	80.00	Research and development and trading of fuel cell components.	(e)
鄭州億華通動力科技有限公司 Zhengzhou SinoHytec Power Technology Co., Ltd.*	PRC/August 4, 2022	RMB50,000,000	Nil	N/A	N/A	N/A	N/A	100.00	Research and development of fuel cell components.	(i)
Indirectly held by the Company										
上海神融新能源科技有限公司 Shanghai Shenrong New Energy Technology Co., Ltd.*	PRC/October 25, 2010	RMB6,000,000	RMB6,000,000	31.88	32.03	25.60	25.60	25.60	Research and development, manufacturing and trading of fuel cell components.	(a), (k), (m)
北京神椽科技有限公司 Beijing Shenchuan Technology Co., Ltd.*	PRC/August 18, 2021	RMB10,000,000	Nil	N/A	N/A	25.60	25.60	25.60	Trading of fuel cell system and related components.	(e), (k), (m)
唐山神力科技有限公司 Tangshan SinoFuelCell Co., Ltd.*	PRC/June 23, 2022	RMB30,000,000	Nil	N/A	N/A	N/A	25.60	25.60	Inactive.	(i), (k), (m)

* The English names of these subsidiaries registered in the PRC represent the translated names of these companies as no English names have been registered.

Notes:

(a) The statutory financial statements of these entities for the year ended December 31, 2019 prepared in accordance with PRC accounting principles and regulations were audited by ShineWing Certified Public Accountants (Special General Partnership), a certified public accounting firm registered in the PRC.

(b) The statutory financial statements of these entities for the year ended December 31, 2020 prepared in accordance with PRC accounting principles and regulations were audited by Da Hua Certified Public Accountants (Special General Partnership), a certified public accounting firm registered in the PRC.

(c) These entities were established in 2019. The statutory financial statements for the period from their respective dates of establishment to December 31, 2019 prepared in accordance with PRC accounting principles and regulations were audited by ShineWing Certified Public Accountants, a certified public accounting firm registered in the PRC.

(d) The entity was established in 2020. The entity has not appointed an auditor to issue statutory financial statements for the year ended December 31, 2020 and 2021.

(e) The entity was established in 2021 and the entity has not appointed an auditor to issue statutory financial statements for the year ended December 31, 2021.

(f) These entities have not appointed auditors to issue statutory financial statements for the years ended December 31, 2019, 2020 and 2021.

(g) These entities have not appointed auditors to issue statutory financial statements for the year ended December 31, 2020 and 2021.

(h) These entities have not appointed auditors to issue statutory financial statements for the year ended December 31, 2021.

(i) The entity was established in 2022.

(j) The statutory financial statements of the entity for the year ended December 31, 2020 prepared in accordance with PRC accounting principles and regulations were audited by Beijing Hengxincheng Certified Public Accountants, a certified public accounting firm registered in the PRC.

(k) This entity is a subsidiary of Shanghai SinoFuelCell.

(l) This entity was deregistered on October 10, 2022.

(m) The Company has control over the entity during the Track Record Period as detail in note 5.1.

(n) According to the Article of Association of the entity, (i) the Company has the right to appoint 3 out of 5 of the directors composing the board of directors, which is responsible for making decisions of the relevant activities of the entity, and the chairman of the board of directors of the entity must be appointed by the Company. Taking into account the above-mentioned facts and circumstances, the directors of the Company considered that the Company has the power to direct relevant activities of the entity during the Track Record Period and therefore has control over the entity during the Track Record Period.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by IASB.

The statutory financial statements of the Company for the year ended December 31, 2019 were prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC and were audited by ShineWing Certified Public Accountants (Special General Partnership), Certified public accountant registered in the PRC. The statutory financial statements of the Company for the year ended December 31, 2020 and 2021 were prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC and were audited by Da Hua Certified Public Accountants (Special General Partnership), certified public accountants registered in the PRC.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the accounting policies which conform with the International Accounting Standards ("**IASs**"), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the Group's financial year beginning on January 1, 2022, throughout the Track Record Period, except that the Group has adopted IFRS 16 "Leases" ("**IFRS 16**") on January 1, 2019 and early adopted both the amendments to IFRS 16 "COVID-19-Related Rental Concessions" and "COVID-19-Related Rental Concessions beyond June 30, 2021" on January 1, 2020.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective date to be determined

Except for the amendment to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 4.9, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. In view that the relevant lease assets/liabilities are insignificant as compared to the total assets/net assets of the Group, the directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets" ("**IAS 36**").

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4.1. Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" ("**IFRS 9**") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.2. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4.3. Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

(a) Revenue from sales of goods

The Group sells fuel cell systems and fuel cell components directly to customers in accordance with the contracts entered with the customers. Revenue is recognized when control of the products has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the products have been accepted by the customer. The normal credit term is within 90 days effective from the date when the goods are accepted by the customers. When the customer pays in advance for the orders, the transaction price received by the Group is recognized as a contract liability until the goods have been delivered to the customer.

(b) Revenue from provision of technology development services

The Group recognizes revenue from the services rendered for development of fuel cell systems and components and testing of fuel cell systems at a point in time when the relevant services are completed and acknowledged for receipt by the customers.

(c) Others

The Group recognizes revenue from the sales of hydrogen to the customers when control of the products has transferred to the customer, being at the point the goods are delivered to the customers. The Group also recognizes revenue from the services rendered for the installation of fuel cell systems at a point in time when the relevant services are rendered.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is included in "Other income, gains and losses".

4.4. Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases e.g. motor vehicles/staff quarter that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

4.5. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

4.6. Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss in the period in which they are incurred.

4.7. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual installments.

4.8. Employee benefits

Pension obligation

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group's contributions to the aforesaid defined contribution retirement schemes are expensed as incurred.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

4.9. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.10. Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than assets under construction as described below. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets other than assets under installation less their residual values over their estimated useful lives, using the straight-line method, as follows:

Buildings	20–30 years
Machine equipment	5–10 years
Motor vehicles	5 years
Other equipment	5 years
Leasehold improvements	2–5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.11. Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives as follows:

Software	3–10 years
Patent	10 years

The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset.

There is no explicit period of the contractual or legal rights for the usage of the software acquired by the Group, while the patents registered by the Group have legal expiration periods ranging from 10 to 20 years. The Company expects to use the software and patents for a period ranging from 3 to 10 years and 10 years, respectively, based on the best estimate of the management to reflect the pattern in which the software and patent's future economic benefits are expected to be consumed by the Group.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

4.12. Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4.13. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.14. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of fuel cell systems and other parts that provide quality assurance to meet customer needs, and are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

4.15. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade and bills receivables and contact assets arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income ("**FVTOCI**") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

Equity instruments at FVTOCI

Investments in equity instruments at FVTOCI on initial recognition are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve (non-recycling); and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the fair value reserve (non-recycling).

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and bills receivables, contact assets and other receivables, restricted and pledged bank deposits and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade and bills receivables and contact assets. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount become past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and bills receivables and contact assets using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade and bills receivables and contact assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group measures ECL for the remaining trade and bills receivables and contact assets on an individual basis.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables, contact assets and other receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gains or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at amortized cost

Financial liabilities including borrowings, trade and bills payables and other payables and accruals are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.16. Related parties

A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Group's parent.

or

An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4.17. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and directors of the Company that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5.1. Critical judgments in applying accounting policies

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Control over Shanghai SinoFuelCell Company Limited

Note 42 describes that Shanghai SinoFuelCell is a subsidiary of the Company. The Company had 31.88%, 32.03%, 25.60% and 25.60% equity interest in Shanghai SinoFuelCell as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. According to a contractual agreement dated March 19, 2019 entered into between the Company and Shanghai Shenjie New Energy Technology Center (Limited Partnership) 上海神頡新能源科技中心(有限合夥)("**Shanghai Shenjie**"), owner of 15.57%, 13.52%, 10.81% and 10.81% equity interest in Shanghai SinoFuelCell as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively (the "**Entrustment Agreement**"), Shanghai Shenjie agreed to unconditionally and irrevocably entrust the Company to exercise the voting rights corresponding to the equity held by Shanghai Shenjie for a period of not less than 5 years. Subsequently, the Company entered into a supplemental agreement with Shanghai Shenjie on March 30, 2022, which provides, among others, that (i) the terms of the Entrustment Agreement shall continue until both parties agree to terminate the Entrustment Agreement for a period of not less than 8 years (i.e. until March 18, 2027); and (ii) as of the date of the supplemental agreement, the parties had no intention to terminate the Entrustment Agreement after the expiry of the 8-year period. As a result, the Company is able to exercise 47.45%, 45.55%, 36.41% and 36.41% voting rights corresponding to the equity held by the Company and Shanghai Shenjie as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. 15.65%, 13.60%, 10.87% and 10.87% of the equity interest in Shanghai SinoFuelCell are owned by Beijing Shuimu Sail Venture Capital Investment Center (L.P.) ("**Shuimu Sail Venture**") and Nanning Shuimu Yuanjing Venture Capital Investment Center (L.P.) ("**Shuimu Yuanjing**"), limited partnerships, both of which are shareholders of the Company and are controlled by Mr. Wu Yong, a non-executive director of the Company, as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The remaining 36.90%, 40.85%, 52.72% and 52.72% of equity interest in Shanghai SinoFuelCell are owned by 10, 12, 19 and 19 shareholders that are unrelated to the Company on these respective dates. Details of Shanghai SinoFuelCell are set out in Note 42.

The directors of the Company assessed whether the Company has control over Shanghai SinoFuelCell based on whether the Company has the practical ability to direct the relevant activities of Shanghai SinoFuelCell unilaterally. In addition, according to the Articles of Association of Shanghai SinoFuelCell, (i) the Company has the right to appoint 3 out of the 5 (before capital increase in 2021) and 4 out of 7 (after capital increase in 2021) directors composing the board of directors, which is responsible for making decisions of the relevant activities of Shanghai SinoFuelCell, and the chairman of the board of directors of Shanghai SinoFuelCell must be appointed by the Company, (ii) 1 out of the 5 (before capital increase in 2021) and 1 out of 7 (after capital increase in 2021) directors composing the board of directors of Shanghai SinoFuelCell must be appointed by Shuimu Sail Venture during the Track Record Period, which is also a non-executive director of the Company, and (iii) any change to the composition of the board of directors requires the approval from shareholders who owns more than two-third of the aggregate equity interests in Shanghai SinoFuelCell. Furthermore, as at December 31, 2019, 2020 and 2021 and June 30, 2022, in addition to the above-mentioned contractual agreement with Shanghai Shenjie, 2, 3, 4 and 4 shareholders (including Shuimu Sail Venture and Shuimu Yuanjing) who have 15.65%, 15.05%, 14.64% and 14.64% equity interests in aggregate in Shanghai SinoFuelCell, respectively, undertake to the Company commencing from the date of their respective capital injections that: (a) they shall not seek to obtain control of the Company over Shanghai SinoFuelCell by any means; (b) they shall vote in favor of the shareholder resolutions proposed by the Company and the board of directors of Shanghai SinoFuelCell; and (c) the undertakings by these shareholders are irrevocable except agreed by the Company.

In addition, 1 shareholder who has 6.02% equity interests in Shanghai SinoFuelCell undertake to the Company commencing from the date of the capital injection that: (i) the shareholder shall attend all shareholder's meetings proposed by the Company and the board of directors of Shanghai SinoFuelCell and shall not seek to obtain control of the Company over Shanghai SinoFuelCell by any means; and (ii) the undertakings by the shareholder is irrevocable except agreed by the Company.

Historically, all shareholder resolutions initiated by the Company and/or the board of directors of Shanghai SinoFuelCell were passed unanimously by the attendees during the Track Record Period.

Taking into account the above mentioned facts and circumstances, the directors of the Company considered that the Company has the power to direct relevant activities of Shanghai SinoFuelCell during the Track Record Period and therefore has control over Shanghai SinoFuelCell during the Track Record Period.

5.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation/amortization and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicator that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. The Group is also required to test for impairment of capitalized development costs assets not available for use on an annual basis. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Detail of the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets subject to impairment assessments and impairment losses that have been recognized are disclosed in notes 17, 18 and 19, respectively.

Provision of ECL for trade and bills receivables and contract assets

Trade and bills receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade and bills receivables and contract assets which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables and contract assets are disclosed in Note 39(b).

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of trade and bills receivables are RMB676,744,000, RMB935,912,000, RMB844,369,000 and RMB779,493,000, respectively. As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of contract assets are RMB18,731,000, RMB25,661,000, RMB25,785,000 and RMB26,014,000 respectively. During the years ended December 31, 2019, 2020 and 2021, net impairment losses on trade and bills receivables of RMB58,070,000, RMB92,217,000 and RMB164,698,000 in aggregate were recognized, respectively. During the six months ended June 30, 2021 and 2022, net reversal of impairment losses on trade and bills receivables of RMB8,813,000 and RMB5,332,000 were recognized, respectively. During the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021, impairment losses on contract assets of RMB740,000, RMB2,161,000, RMB4,134,000 and RMB264,000 were recognized, respectively. During the six months ended June 30, 2022, reversal of impairment losses on contract assets of RMB916,000 was recognized.

Deferred tax assets

As at December 31, 2019, 2020 and 2021 and June 30, 2022, deferred tax assets of RMB23,895,000, RMB45,995,000, RMB70,550,000 and RMB74,197,000, respectively, in relation to deductible temporary differences and unused tax losses for certain operating subsidiaries have been recognized in the consolidated statement of financial position. As at December 31, 2019, 2020 and 2021 and June 30, 2022, no deferred tax asset has been recognized on the tax losses of RMB13,248,000, RMB19,137,000, RMB55,765,000 and RMB100,480,000, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

Fair value measurement of financial instruments

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Group's unlisted equity investments classified as financial assets at FVTOCI amounting to RMB62,109,000, RMB62,109,000, RMB170,900,000 and RMB218,800,000, respectively, the Group's unlisted equity investments classified as non-current financial assets at FVTPL amounting to RMBNil, RMBNil, RMB2,800,000 and RMB2,800,000, respectively, and the Group's investments in wealth management products classified as financial assets at FVTPL amounting to RMBNil, RMB50,000,000, RMB222,170,000 and RMB374,082,000, respectively are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 39(d) for further disclosures.

Capitalization of development costs

Only internal development costs directly attributable to projects which are considered under development stage and when it is probable that the projects will be successful considering the criteria set out in Note 4.11 are capitalized and recognized as intangible assets. The Group's development activities are tracked by its technical department and documented to support the basis of determining if and when the criteria were met, particularly (i) the timing to start capitalization; (ii) the technical feasibility of the projects; and (iii) the likelihood of the projects that will deliver sufficient future economic benefits. The carrying amount of capitalized development costs at December 31, 2019, 2020 and 2021 and June 30, 2022 were RMB49,616,000, RMB93,088,000, RMB92,752,000 and RMB37,881,000, respectively.

Warranty provision

The Group generally offers warranty for the fuel cell systems during which free warranty service for the repair and maintenance of parts and components under normal usage is provided to the customers. The warranty provision provided during the Track Record Period, depending on the product type, was based on the past experience of the failure rate of the products of 1.5% in the warranty service period. The carrying amount of warranty provision is disclosed in Note 30.

Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. The Group will reassess the estimations at each statement of financial position date. As at December 31, 2019, 2020 and 2021 and June 30, 2022, carrying amount of inventories are RMB204,653,000, RMB172,554,000, RMB260,360,000 and RMB295,008,000 respectively.

Impairment of interests in associates and a joint venture

The Group determines whether the interests in associates and a joint venture are impaired required an estimation of the future cash flows expected to arise. Where the actual future cash flows are less than expected, impairment loss may arise. As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amount of interests in associates is RMB75,116,000, RMB130,269,000, RMB190,982,000 and RMB187,741,000, respectively and the carrying amount of interest in a joint venture is nil, nil, RMB128,183,000 and RMB120,282,000, respectively. No impairment loss on interests in associates and a joint venture has been recognized during the Track Record Period.

6. REVENUE AND SEGMENT INFORMATION

The CODM assesses the performance of the operating segment mainly based on the measure of operating profit/(loss), excluding items which are not directly related to the segment performance. These include non-operating income/(expenses) such as government subsidies and other non-operating items. The CODM reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as the CODM determines that the Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at December 31, 2019, 2020 and 2021 and June 30, 2022, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

Revenue during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers under IFRS 15					
Sales of fuel cell systems	481,085	499,882	518,051	101,365	254,697
Sales of fuel cell components	43,042	26,111	52,827	5,591	3,659
Provision of technology development services	9,235	33,471	27,486	4,838	7,721
Others	19,128	12,452	31,005	5,980	3,066
	552,490	571,916	629,369	117,774	269,143
Revenue recognized under other accounting standard					
Lease of equipment	1,130	377	—	—	—
Total revenue	553,620	572,293	629,369	117,774	269,143
Timing of revenue recognition					
At a point in time	552,490	571,916	629,369	117,774	269,143
Over time	1,130	377	—	—	—
Total revenue	553,620	572,293	629,369	117,774	269,143

The major customers which contributed more than 10% of the total revenue for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 are listed as below:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A *(Note (a))*	193,246	N/A	N/A	N/A	N/A
Customer B	134,310	149,152	339,902	59,226	182,946
Customer C *(Note (a))*	100,549	N/A	N/A	N/A	N/A
Customer D *(Note (b))*	63,436	138,113	N/A	N/A	N/A
Customer E *(Note (c))*	N/A	76,991	N/A	41,515	N/A
Customer F *(Note (d))*	N/A	N/A	89,204	N/A	N/A
Customer G *(Note (e))*	N/A	N/A	N/A	N/A	43,744

Notes:

(a) The percentage of contribution is not applicable for Customer A and C as it contributed less than 10% of the total revenue for the years ended December 31, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

(b) The percentage of contribution is not applicable for Customer D as it contributed less than 10% of the total revenue for the year ended December 31, 2021 and the six months ended June 30, 2021 and 2022.

(c) The percentage of contribution is not applicable for Customer E as it contributed less than 10% of the total revenue for the years ended December 31, 2019 and 2021 and the six months ended June 30, 2022.

(d) The percentage of contribution is not applicable for Customer F as it contributed less than 10% of the total revenue for the years ended December 31, 2019 and 2020 and the six months ended June 30, 2021 and 2022.

(e) The percentage of contribution is not applicable for Customer G as it contributed less than 10% of the total revenue for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021.

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	17,665	15,897	192,210	156,650
Over one year	12,470	4,874	5,373	5,011
	30,135	20,771	197,583	161,661

Seasonality of operations

The Group experiences higher sales of fuel cell systems in the second half of the financial year as the Group generally deliver products in the second half of the year. As a result, revenue from sales of fuel cell systems is usually lower during the first half of the financial year.

7. OTHER INCOME, GAINS AND LOSSES

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income					
Interest income on					
— Bank deposit	2,442	9,667	16,019	7,890	5,241
— Financial assets at FVTPL	—	520	3,408	1,215	5,638
— Amount due from an associate	1,437	1,883	1,878	931	900
Government grants*	30,287	24,194	29,340	9,799	14,953
	34,166	36,264	50,645	19,835	26,732
Other gains and losses					
Foreign exchange (losses)/gains, net	(447)	(39)	(6)	18	(13)
Compensation**	20,000	—	—	—	—
Donation	—	(1,813)	(384)	(300)	(80)
Gain on deemed disposal of a subsidiary *(Note 43)*	63,459	—	—	—	—
Realized gain on disposal of interest in an associate *(Note 20(d))*	—	11,615	—	—	—
Gain on deemed disposals of interests in associates *(Note 20)*	—	22,440	16,261	—	—
Gains/(losses) on disposal of property, plant and equipment	18	(3)	(806)	(350)	(129)
Write down of inventories	(9,679)	(15,905)	(47,056)	—	(27,606)
Impairment loss on property, plant and equipment *(Note 17)*	(15,988)	—	—	—	—
Others	1,841	914	942	119	(3,746)
	59,204	17,209	(31,049)	(513)	(31,574)
	93,370	53,473	19,596	19,322	(4,842)

* Included in the amount are government grants received by the Group amounting to RMB15,732,000, RMB19,530,000, RMB14,743,000, RMB8,496,000 and RMB11,880,000 for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively, representing tax refunds, operating subsidies and various industry-specific subsidies granted by the government authorities to reward the Group's effort for technological innovation with no future related costs to be incurred. There are no unfulfilled conditions relating to such government subsidies recognized.

** The amount represented compensation received during the year ended December 31, 2019 by Zhangjiakou Haiper New Energy Technology Co., Ltd. 張家口海珀爾新能源科技有限公司 ("**Zhangjiakou Haiper**") from the perpetrator amounting to RMB20,000,000 in relation to the Zhangjiakou chemical factory blast.

8. IMPAIRMENT LOSSES/(REVERSAL OF IMPAIRMENT LOSSES) ON FINANCIAL ASSETS

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Impairment losses/(reversal of impairment loss) recognized on:					
— trade receivables	59,570	92,293	164,782	(8,813)	(5,332)
— bills receivables	(1,500)	(76)	(84)	—	—
— contract assets	740	2,161	4,134	264	(916)
— other receivables	1,574	1,468	8,131	6,287	2,954
	60,384	95,846	176,963	(2,262)	(3,294)

Details of impairment assessment are set out in Note 39(b).

9. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on:					
— bank borrowings	4,202	7,738	5,253	2,605	3,206
— lease liabilities	5,493	1,213	599	305	213
	9,695	8,951	5,852	2,910	3,419

10. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wages, salaries and bonuses	65,865	67,864	101,580	26,810	66,507
Retirement benefit expense	13,454	4,985	14,783	5,934	10,388
Social security costs, housing benefits and other employee benefits	18,118	17,159	22,502	8,392	19,861
	97,437	90,008	138,865	41,136	96,756

11. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been carried at after charging:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Auditor's remuneration					
— audit services	161	662	1,000	—	—
— non-audit services	—	—	57	57	—
— Listing expense for listing on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")	—	—	2,730	—	1,975
	161	662	3,787	57	1,975
Cost of inventories sold	302,393	309,964	375,030	78,544	156,618
Depreciation of property, plant and equipment *(Note 17)*	20,979	23,133	32,127	15,151	24,374
Depreciation of right-of-use assets *(Note 18)*	7,811	9,453	8,440	3,956	4,476
Amortization of intangible assets *(Note 19)*	1,538	3,412	8,024	3,070	12,126
Short-term lease payments *(Note 18)*	1,118	2,450	3,428	1,907	2,125

12. INCOME TAX CREDIT

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax					
Current tax	(8,459)	(12,623)	(2,020)	—	(197)
(Under)/over-provision in prior years	(3,572)	1,959	3,637	3,645	(5)
	(12,031)	(10,664)	1,617	3,645	(202)
Deferred taxation *(Note 35)*	15,148	20,424	39,313	7,884	14,014
	3,117	9,760	40,930	11,529	13,812

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% unless subject to tax exemption set out below.

The Company was accredited as a "High and New Technology Enterprise" in 2016 which was subsequently renewed in 2019, and therefore the Company was entitled to a preferential income tax rate of 15%, 15%, 15%, 15% and 15% for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Shanghai SinoFuelCell was accredited as a "High and New Technology Enterprise" in 2014 which was subsequently renewed in 2017 and 2020, and therefore Shanghai SinoFuelCell was entitled to a preferential income tax rate of 15%, 15%, 15%, 15% and 15% for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

SinoHytec Power was accredited as a "High and New Technology Enterprise" in 2018 which was subsequently renewed in 2021, and therefore SinoHytec Power was entitled to a preferential income tax rate of 15%, 15%, 15%, 15% and 15% for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Chengdu SinoHytec was qualified as "Small and Micro-Sized Enterprises" ("**SME**") for 2020 and 2021. For the first RMB1 million of annual taxable income is eligible for 75% reduction and the income between RMB1 million and RMB3 million is eligible for 50% reduction at the applicable income tax rate of 20%.

Chengdu SinoHytec was accredited as a "Encouraged Industrial Enterprises in the Western Region" in 2020, and therefore Chengdu SinoHytec were entitled to a preferential income tax rate of 15% and 15% for the six months ended June 30, 2021 and 2022, respectively. This qualification will be expired in 2030.

Chengdu Guoqinghuatong was accredited as a "Encouraged Industrial Enterprises in the Western Region" in 2020, and therefore Chengdu Guoqinghuatong was entitled to a preferential income tax rate of 15%, 15%, 15% and 15% for the year ended December 31, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively. This qualification will be expired in 2030.

The tax charge for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 can be reconciled to the profit/(loss) before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before taxation	42,782	(19,522)	(226,314)	(47,222)	(95,368)
Tax at the statutory tax rate of 25%	10,696	(4,881)	(56,579)	(11,806)	(23,842)
Effects of tax holiday and preferential tax benefits on assessable profits of subsidiaries incorporated in the PRC	4,156	4,826	23,495	2,460	4,499
Tax effect of share of results of associates	1,187	2,708	1,854	740	689
Tax effect of share of results of a joint venture	—	—	1,183	—	1,975
Tax effect of expenses that are not deductible for tax purposes	6,855	968	1,496	743	449
Tax effect of income that is not taxable for tax purposes *(Note)*	(15,865)	(5,703)	(3,888)	—	—
Under/(over) provision of taxation in previous year	3,572	(1,959)	(3,637)	(3,637)	5
Tax effect of temporary difference not recognized	116	2,866	16,516	7,833	16,002
Effects of different tax rates applicable to different subsidiaries of the Group	(30)	—	—	—	—
Tax effect of additional tax deduction for eligible research and development expenses	(13,804)	(9,018)	(21,253)	(7,862)	(13,468)
Tax effect of additional tax reduction for SME	—	433	(117)	—	(121)
Income tax credit for the year/period	(3,117)	(9,760)	(40,930)	(11,529)	(13,812)

Note: The income that are not taxable for tax purposes mainly represent deemed disposal of a subsidiary for the year ended December 31, 2019.

The income that are not taxable for tax purposes mainly represent deemed disposal of interests in associates for the years ended December 31, 2020 and 2021.

13. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

Mr. Zhang Guoqiang is the chief executive of the Company and his emolument disclosed below included those for services rendered by him as the chief executive of the Company and other group entities.

Details of the emoluments paid or payable to the individuals who were appointed as the directors and chief executive of the Company, and supervisors of the group companies (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), during the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

Year ended December 31, 2019	Fee	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*	*RMB'000*
Executive directors					
Zhang Guoqiang	—	489	205	—	694
Zhang He *(Note (f))*	—	308	154	—	462
Song Haiying	—	383	144	126	653
Sub-total	—	1,180	503	126	1,809
Non-executive directors					
Wu Yong	—	—	—	—	—
Teng Renjie	—	—	—	—	—
Subtotal	—	—	—	—	—
Independent non-executive directors					
Fang Jianyi *(Note (b))*	—	—	—	—	—
Zhang Jinhua *(Note (c))*	—	—	—	—	—
Liu Xiaoshi *(Note (d))*	—	—	—	—	—
Sub-total	—	—	—	—	—
Supervisors					
Dai Dongzhe *(Note (a))*	—	383	144	126	653
Qiu Qing *(Note (f))*	—	—	—	—	—
Zhou Pengfei *(Note (g))*	—	383	144	126	653
Yuan Liangyong *(Note (h))*	—	—	—	—	—
Sub-total	—	766	288	252	1,306
Total	—	1,946	791	378	3,115

Year ended December 31, 2020	Fee	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*	*RMB'000*
Executive directors					
Zhang Guoqiang	—	413	405	26	844
Zhang He *(Note (f))*	—	265	204	—	469
Song Haiying	—	336	354	65	755
Sub-total	—	1,014	963	91	2,068
Non-executive directors					
Wu Yong	—	—	—	—	—
Teng Renjie	—	—	—	—	—
Subtotal	—	—	—	—	—
Independent non-executive directors					
Fang Jianyi *(Note (b))*	—	—	—	—	—
Zhang Jinhua *(Note (c))*	—	—	—	—	—
Liu Xiaoshi *(Note (d))*	—	—	—	—	—
Sub-total	—	—	—	—	—
Supervisors					
Dai Dongzhe *(Note (a))*	—	336	354	65	755
Qiu Qing *(Note (g))*	—	—	—	—	—
Zhou Pengfei *(Note (h))*	—	336	254	65	655
Sub-total	—	672	608	130	1,410
Total	—	1,686	1,571	221	3,478

Year ended December 31, 2021	Fee	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*	*RMB'000*
Executive directors					
Zhang Guoqiang	—	746	380	111	1,237
Zhang He *(Note (f))*	—	403	103	—	506
Song Haiying	—	533	440	111	1,084
Sub-total	—	1,682	923	222	2,827
Non-executive directors					
Wu Yong	—	—	—	—	—
Teng Renjie	—	—	—	—	—
Subtotal	—	—	—	—	—
Independent non-executive directors					
Fang Jianyi *(Note (b))*	—	120	—	—	120
Zhang Jinhua *(Note (c))*	—	120	—	—	120
Liu Xiaoshi *(Note (d))*	—	—	—	—	—
Sub-total	—	240	—	—	240
Supervisors					
Dai Dongzhe *(Note (a))*	—	533	300	111	944
Qiu Qing *(Note (g))*	—	—	—	—	—
Zhou Pengfei *(Note (h))*	—	366	154	113	633
Wang Shanshan *(Note (i))*	—	—	—	—	—
Sub-total	—	899	454	224	1,577
Total	—	2,821	1,377	446	4,644

Six months ended June 30, 2021	Fee	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefit scheme contributions	Total
(Unaudited)	*RMB'000*	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*	*RMB'000*
Executive directors					
Zhang Guoqiang	—	323	—	56	379
Zhang He *(Note (f))*	—	150	—	—	150
Song Haiying	—	250	—	56	306
Sub-total	—	723	—	112	835
Non-executive directors					
Wu Yong	—	—	—	—	—
Teng Renjie	—	—	—	—	—
Subtotal	—	—	—	—	—
Independent non-executive directors					
Fang Jianyi *(Note (b))*	—	40	—	—	40
Zhang Jinhua *(Note (c))*	—	40	—	—	40
Liu Xiaoshi *(Note (d))*	—	—	—	—	—
Sub-total	—	80	—	—	80
Supervisors					
Dai Dongzhe *(Note (a))*	—	250	—	56	306
Qiu Qing *(Note (g))*	—	—	—	—	—
Zhou Pengfei *(Note (h))*	—	183	—	56	239
Wang Shanshan *(Note (j))*	—	—	—	—	—
Sub-total	—	433	—	112	545
Total	—	1,236	—	224	1,460

Six months ended June 30, 2022	Fee	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*	*RMB'000*
Executive directors					
Zhang Guoqiang	—	423	—	57	480
Zhang He *(Note (f))*	—	163	—	—	163
Dai Dongzhe *(Note (a))*	—	47	—	9	56
Song Haiying	—	283	—	57	340
Sub-total	—	916	—	123	1,039
Non-executive directors					
Wu Yong	—	—	—	—	—
Teng Renjie	—	—	—	—	—
Subtotal	—	—	—	—	—
Independent non-executive directors					
Fang Jianyi *(Note (b))*	—	60	—	—	60
Zhang Jinhua *(Note (c))*	—	—	—	—	—
Liu Xiaoshi *(Note (d))*	—	20	—	—	20
Ji Xuehong *(Note (e))*	—	60	—	—	60
Sub-total	—	140	—	—	140
Supervisors					
Zhang He *(Note (f))*	—	34	—	—	34
Qiu Qing *(Note (g))*	—	—	—	—	—
Dai Dongzhe *(Note (a))*	—	236	—	48	284
Zhou Pengfei *(Note (h))*	—	151	—	48	199
Wang Shanshan *(Note (j))*	—	—	—	—	—
Teng Zhaojun *(Note (k))*	—	28	—	10	38
Sub-total	—	449	—	106	555
Total	—	1,505	—	229	1,734

Notes:

(a) Ms. Dai Dongzhe resigned as supervisor of the Company and was appointed as the executive director of the Company with effect from May 24, 2022.

(b) Mr. Fang Jianyi was appointed as independent non-executive director of the Company with effect from April 23, 2019.

(c) Mr. Zhang Jinhua was appointed as independent non-executive director of the Company with effect from April 23, 2019 and resigned as independent non-executive director of the Company due to his personal work arrangement with effect from January 10, 2022.

(d) Mr. Liu Xiaoshi was appointed as independent non-executive director of the Company with effect from April 23, 2019.

(e) Mr. Ji Xuehong was appointed as independent non-executive director of the Company with effect from January 10, 2022.

(f) Mr. Zhang He resigned as the executive director of the Company and was appointed as supervisor of the Company with effect from May 24, 2022.

(g) Ms. Qiu Qing resigned as supervisor of the Company due to her personal work arrangement with effect from December 16, 2021.

(h) Mr. Zhou Pengfei was appointed as supervisor of the Company with effect from April 23, 2019 and resigned as supervisor of the Company due to his personal work arrangement with effect from May 24, 2022.

(i) Mr. Yuan Liangyong resigned as supervisor of the Company due to his personal work arrangement with effect from April 23, 2019.

(j) Ms. Wang Shanshan was appointed as supervisor of the Company with effect from December 16, 2021.

(k) Mr. Teng Zhaojun was appointed as supervisor of the Company with effect from May 24, 2022.

(l) Performance-based bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The executive directors' and chief executive's emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group during the Track Record Period.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company during the Track Record Period.

During the Track Record Period, there was no arrangement under which a director or the chief executive waived or agreed to waive any emolument, and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Track Record Period and the six months ended June 30, 2021.

14. FIVE HIGHEST PAID EMPLOYEES

The individuals whose emoluments were the top 5 highest in the Group for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022, respectively include one, one, two and one directors of the Company whose emoluments are reflected in the analysis shown in "DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS" above. Among the individuals whose emoluments were the top 5 highest in the Group for the six months ended June 30, 2021, three of the individuals in the Group received the same emoluments and being the top fifth highest in the Group. Included in the individuals whose emolument were the top 7 highest in the Group for the six months ended June 30, 2021, two and one of them are directors and supervisor of the Company respectively, whose emoluments are reflected in the analysis shown in "DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS" above. The emoluments paid to the remaining four, four, three, four and four individuals with the highest emoluments in the Group for each of the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wages, salaries and bonuses	3,044	3,476	3,413	1,290	1,487
Retirement benefit expense	148	12	167	102	107
Social security costs, housing benefits and other employee benefits	140	181	186	111	106
	3,332	3,669	3,766	1,503	1,700

The number of the highest paid employees (including the directors or the supervisors) of the Company whose remuneration fell within the following bands is as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021 (unaudited)	2022
Nil to HKD1,000,000	5	1	—	7	5
HKD1,000,001 to HKD1,500,000	—	4	3	—	—
HKD1,500,001 to HKD2,000,000	—	—	2	—	—

During the Track Record Period and the six months ended June 30, 2021, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

No dividend was declared or paid by the Company in respect of the Track Record Period.

16. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company for the Track Record Period and the six months ended June 30, 2021 is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Earnings/(loss)					
Profit/(loss) for the year/period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	63,910	(366)	(146,369)	(17,455)	(59,782)
	'000	*'000*	*'000*	*'000*	*'000*
Number of shares					
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	71,427	83,687	99,229	98,700	99,891

The weighted average number of ordinary shares outstanding during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 have been adjusted for the effect of capitalization of capital reserve and the new shares were issued to the shareholders on June 6, 2022.

The Group had no potentially dilutive ordinary shares in issue during the Track Record Period and the six months ended June 30, 2021.

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machine equipment	Motor vehicles	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At January 1, 2019	75,344	42,673	2,011	11,951	14,074	126,456	272,509
Additions	—	46,863	—	1,985	458	28,703	78,009
Disposals	—	(36)	(307)	—	—	—	(343)
Deemed disposal of a subsidiary *(Note 43)*	—	(774)	—	(194)	—	(125,561)	(126,529)
Transfers	1,346	15,138	—	—	—	(16,484)	—
At December 31, 2019 and January 1, 2020	76,690	103,864	1,704	13,742	14,532	13,114	223,646
Additions	—	26,925	—	1,518	6,494	93,118	128,055
Disposals	—	(165)	—	(7)	—	—	(172)
Write off	(19)	—	—	—	—	(11,118)	(11,137)
Transfers	2,648	1,435	—	—	—	(4,083)	—
Transfer from right-of-use-assets *(Note 18)*	—	22,142	—	—	—	—	22,142
At December 31, 2020 and January 1, 2021	79,319	154,201	1,704	15,253	21,026	91,031	362,534
Additions	—	27,589	576	2,456	27,922	138,041	196,584
Disposals	—	(3,550)	—	(172)	—	—	(3,722)
Write off	—	—	—	—	—	(3,051)	(3,051)
Transfers	—	34,063	—	628	—	(34,691)	—
At December 31, 2021 and January 1, 2022	79,319	212,303	2,280	18,165	48,948	191,330	552,345
Additions	—	18,734	489	1,300	—	42,934	63,457
Disposals	—	(275)	(85)	(369)	—	—	(729)
Transfers	62,914	20,577	—	—	—	(83,491)	—
Write off	—	—	(15)	—	—	—	(15)
At June 30, 2022	142,233	251,339	2,669	19,096	48,948	150,773	615,058
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At January 1, 2019	15,777	5,067	808	3,107	4,823	8,725	38,307
Depreciation provided for the year	2,534	10,026	239	2,277	5,903	—	20,979
Eliminated on disposals	—	—	(292)	—	—	—	(292)
Impairment loss provided for the year	—	—	—	—	—	15,988	15,988
Eliminated due to deemed disposal of a subsidiary *(Note 43)*	—	(191)	—	(36)	—	(24,713)	(24,940)
At December 31, 2019 and January 1, 2020	18,311	14,902	755	5,348	10,726	—	50,042
Depreciation provided for the year	2,629	13,760	239	2,529	3,976	—	23,133
Eliminated on disposals	—	(105)	—	(4)	—	—	(109)
At December 31, 2020 and January 1, 2021	20,940	28,557	994	7,873	14,702	—	73,066
Depreciation provided for the year	2,682	20,638	305	2,767	5,735	—	32,127
Eliminated on disposals	—	(2,090)	—	(131)	—	—	(2,221)
At December 31, 2021 and January 1, 2022	23,622	47,105	1,299	10,509	20,437	—	102,972
Depreciation provided for the period	1,408	19,901	232	1,331	1,502	—	24,374
Eliminated on disposals	—	(126)	(95)	(321)	—	—	(542)
At June 30, 2022	25,030	66,880	1,436	11,519	21,939	—	126,804
CARRYING AMOUNT							
At December 31, 2019	58,379	88,962	949	8,394	3,806	13,114	173,604
At December 31, 2020	58,379	125,644	710	7,380	6,324	91,031	289,468
At December 31, 2021	55,697	165,198	981	7,656	28,511	191,330	449,373
At June 30, 2022	117,203	184,459	1,233	7,577	27,009	150,773	488,254

Certain plants and buildings with an aggregate amounts of RMB58,379,000, RMB58,379,000, RMB55,697,000 and RMB54,357,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively are pledged to secure bank borrowings (Note 32) granted to the Group.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Group is in the process of obtaining the certificates of ownership in respect of certain buildings of the Group with carrying amounts of RMBNil, RMBNil, RMBNil and RMB62,416,000 from the relevant government authorities.

The Company

	Machine equipment	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At January 1, 2019	20,849	4,194	6,268	658	31,969
Additions	6,745	754	263	2,712	10,474
Transfers	1,273	—	—	(1,273)	—
At December 31, 2019 and January 1, 2020	28,867	4,948	6,531	2,097	42,443
Additions	9,704	757	135	1,094	11,690
Disposals	—	(7)	—	—	(7)
Write off	—	—	—	(1,641)	(1,641)
Transfers	420	—	—	(420)	—
At December 31, 2020 and January 1, 2021	38,991	5,698	6,666	1,130	52,485
Additions	24,478	758	101	420	25,757
Disposals	(1,627)	(16)	—	—	(1,643)
Transfers	726	—	—	(726)	—
At December 31, 2021 and January 1, 2022	62,568	6,440	6,767	824	76,599
Additions	4,371	449	—	—	4,820
Disposals	(269)	(173)	—	(42)	(484)
Transfers	445	—	—	(445)	—
At June 30, 2022	67,115	6,716	6,767	337	80,935
ACCUMULATED DEPRECIATION					
At January 1, 2019	2,669	1,488	3,357	—	7,514
Depreciation provided for the year	4,379	843	2,568	—	7,790
At December 31, 2019 and January 1, 2020	7,048	2,331	5,925	—	15,304
Depreciation provided for the year	4,696	908	741	—	6,345
Eliminated on disposals	(74)	(4)	—	—	(78)
At December 31, 2020 and January 1, 2021	11,670	3,235	6,666	—	21,571
Depreciation provided for the year	7,169	907	101	—	8,177
Elimination on disposals	(1,377)	(13)	—	—	(1,390)
At December 31, 2021 and January 1, 2022	17,462	4,129	6,767	—	28,358
Depreciation provided for the period	4,756	389	—	—	5,145
Elimination on disposals	(124)	(164)	—	—	(288)
At June 30, 2022	22,094	4,354	6,767	—	33,215
CARRYING AMOUNT					
At December 31, 2019	21,819	2,617	606	2,097	27,139
At December 31, 2020	27,321	2,463	—	1,130	30,914
At December 31, 2021	45,106	2,311	—	824	48,241
At June 30, 2022	45,021	2,362	—	337	47,720

18. RIGHT-OF-USE ASSETS

The Group

	Leased properties	Equipment	Motor vehicles	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CARRYING AMOUNT					
At January 1, 2019	4,552	27,178	218	—	31,948
Additions	5,440	—	—	39,365	44,805
Depreciation charge	(4,278)	(2,686)	(131)	(716)	(7,811)
Deemed disposal of a subsidiary *(Note 43)*	—	—	—	(10,922)	(10,922)
At December 31, 2019 and January 1, 2020	5,714	24,492	87	27,727	58,020
Additions	14,238	—	2,401	—	16,639
Depreciation charge	(5,851)	(2,350)	(687)	(565)	(9,453)
Transfer to property, plant and equipment *(Note (a) and 17)*	—	(22,142)	—	—	(22,142)
At December 31, 2020 and January 1, 2021	14,101	—	1,801	27,162	43,064
Additions	3,830	—	—	184	4,014
Depreciation charge	(7,075)	—	(800)	(565)	(8,440)
At December 31, 2021 and January 1, 2022	10,856	—	1,001	26,781	38,638
Depreciation charge	(3,792)	—	(400)	(284)	(4,476)
At June 30, 2022	7,064	—	601	26,497	34,162

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Expenses relating to short-term leases	1,118	2,450	3,428	1,907	2,125
Total cash outflow for leases *(Note (b))*	18,626	21,637	12,004	6,254	6,385

Notes:

(a) During the year ended December 31, 2020, machine equipment with carrying amount of RMB22,142,000 was transferred to property, plant and equipment upon full repayment of the finance lease.

(b) Amount includes payments of principal and interest portion of lease liabilities, short-term leases and payments of lease payments on or before lease commencement date.

(c) On June 30, 2022, the Group entered into a new lease agreement to be commenced on July 1, 2022 which the Group will expose to future cash outflows amounting to RMB6,351,000.

The Company

	Leased properties	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*
CARRYING AMOUNT			
At January 1, 2019	4,552	—	4,552
Additions	161	—	161
Depreciation charge	(3,618)	—	(3,618)
At December 31, 2019 and January 1, 2020	1,095	—	1,095
Additions	13,794	2,402	16,196
Depreciation charge	(4,206)	(600)	(4,806)
At December 31, 2020 and January 1, 2021	10,683	1,802	12,485
Additions	3,831	—	3,831
Depreciation charge	(5,362)	(801)	(6,163)
At December 31, 2021 and January 1, 2022	9,152	1,001	10,153
Depreciation charge	(2,889)	(400)	(3,289)
At June 30, 2022	6,263	601	6,864

19. INTANGIBLE ASSETS

The Group

	Software	Patent	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At January 1, 2019	7,685	5,336	4,505	17,526
Additions	9,893	—	50,206	60,099
Transfers *(Note)*	5,095	—	(5,095)	—
At December 31, 2019 and January 1, 2020	22,673	5,336	49,616	77,625
Additions	15,631	—	51,432	67,063
Transfers *(Note)*	—	7,960	(7,960)	—
At December 31, 2020 and January 1, 2021	38,304	13,296	93,088	144,688
Additions	4,118	90	72,109	76,317
Transfers *(Note)*	—	72,445	(72,445)	—
At December 31, 2021 and January 1, 2022	42,422	85,831	92,752	221,005
Additions	1,189	—	17,921	19,110
Transfers *(Note)*	—	72,792	(72,792)	—
At June 30, 2022	43,611	158,623	37,881	240,115
ACCUMULATED AMORTIZATION				
At January 1, 2019	1,312	1,645	—	2,957
Charge for the year	1,004	534	—	1,538
At December 31, 2019 and January 1, 2020	2,316	2,179	—	4,495
Charge for the year	2,476	936	—	3,412
At December 31, 2020 and January 1, 2021	4,792	3,115	—	7,907
Charge for the year	3,948	4,076	—	8,024
At December 31, 2021 and January 1, 2022	8,740	7,191	—	15,931
Charge for the period	2,653	9,473	—	12,126
At June 30, 2022	11,393	16,664	—	28,057
CARRYING AMOUNT				
At December 31, 2019	20,357	3,157	49,616	73,130
At December 31, 2020	33,512	10,181	93,088	136,781
At December 31, 2021	33,682	78,640	92,752	205,074
At June 30, 2022	32,218	141,959	37,881	212,058

Impairment test

Development costs were allocated for impairment testing purpose to three cash generating units ("**CGU**"), the Beijing SinoHytec CGU, the SinoHytec Power CGU and the Shanghai SinoFuelCell CGU (collectively, the "**CGUs**"). The recoverable amounts of the CGUs have been determined by a value-in-use calculation based on cash flow forecasts derived from the most recent financial budgets and estimated future cash flows covering a 5-year period and with the residual period using growth rate of 2% approved by the directors of the Company.

The key assumptions used for recoverable amount calculations of each CGU are as follows:

	As at December 31,		
Beijing SinoHytec CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	29%	26%	26%
Pre-tax discount rate	14.8%	15.0%	15.1%

	As at December 31,		
SinoHytec Power CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	5%	17%	25%
Pre-tax discount rate	14.8%	15.0%	15.1%

	As at December 31,		
Shanghai SinoFuelCell CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	11%	20%	26%
Pre-tax discount rate	14.8%	15.0%	15.1%

Impact of possible changes in key assumptions

The recoverable amount of Beijing SinoHytec CGU is estimated to exceed its carrying amount at December 31, 2019, 2020 and 2021 by approximately RMB500 million, RMB300 million and RMB200 million, respectively.

The recoverable amount of SinoHytec Power CGU is estimated to exceed its carrying amount at December 31, 2019, 2020 and 2021 by approximately RMB100 million, RMB300 million and RMB200 million, respectively.

The recoverable amounts of Shanghai SinoFuelCell CGU are estimated to exceed its carrying amount at December 31, 2019, 2020 and 2021 by approximately RMB200 million, RMB100 million and RMB300 million, respectively.

Considering there was still sufficient headroom based on the assessment, the directors of the Company do not believe that a reasonably possible change in key assumptions would cause the carrying amount of each individual asset to exceed its respective recoverable amount.

The recoverable amount of each CGU would equal its carrying amount if each key assumption was to change as follows with all other variables held constant:

	As at December 31,		
Beijing SinoHytec CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	24%	15%	16%
Pre-tax discount rate	28%	20%	18%

	As at December 31,		
SinoHytec Power CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	0%	12%	22%
Pre-tax discount rate	19%	25%	19%

	As at December 31,		
Shanghai SinoFuelCell CGU	**2019**	**2020**	**2021**
Revenue (average growth rate)	6%	18%	18%
Pre-tax discount rate	60%	23%	18%

The Company

	Software	Patent	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At January 1, 2019	7,547	5,336	4,281	17,164
Additions	9,576	—	24,063	33,639
At December 31, 2019 and January 1, 2020	17,123	5,336	28,344	50,803
Additions	12,990	—	21,281	34,271
Transfer to intergroup	—	(367)	—	(367)
Transfers *(Note)*	—	7,960	(7,960)	—
At December 31, 2020 and January 1, 2021	30,113	12,929	41,665	84,707
Additions	4,118	—	66,291	70,409
Transfers *(Note)*	—	26,489	(26,489)	—
At December 31, 2021 and January 1, 2022	34,231	39,418	81,467	155,116
Additions	228	—	16,923	17,151
Transfers *(Note)*	—	70,524	(70,524)	—
At June 30, 2022	34,459	109,942	27,866	172,267
ACCUMULATED AMORTIZATION				
At January 1, 2019	1,297	1,645	—	2,942
Charge for the year	933	534	—	1,467
At December 31, 2019 and January 1, 2020	2,230	2,179	—	4,409
Charge for the year	1,828	860	—	2,688
Eliminated on transfer to intergroup	—	(181)	—	(181)
At December 31, 2020 and January 1, 2021	4,058	2,858	—	6,916
Charge for the year	3,102	1,514	—	4,616
At December 31, 2021 and January 1, 2022	7,160	4,372	—	11,532
Charge for the period	2,223	7,601	—	9,824
At June 30, 2022	9,383	11,973	—	21,356
CARRYING AMOUNT				
At December 31, 2019	14,893	3,157	28,344	46,394
At December 31, 2020	26,055	10,071	41,665	77,791
At December 31, 2021	27,071	35,046	81,467	143,584
At June 30, 2022	25,076	97,969	27,866	150,911

Note: Development costs are internally generated and are directly attributable to projects which are considered under development stage. As these projects are incomplete as at the end of respective reporting period during the Track Record Period, no amortization expense is incurred. The development costs were transferred to patent upon completion of the related projects.

20. INTERESTS IN ASSOCIATES

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of unlisted investment	79,705	123,064	170,464	170,464
Share of post-acquisition (loss)/profits and other comprehensive (expense)/income	(4,546)	7,248	20,518	17,277
Impairment loss recognized	(43)	(43)	—	—
	75,116	130,269	190,982	187,741

Included in the cost of unlisted investments as at December 31, 2019, 2020 and 2021 and June 30, 2022 is goodwill of RMB51,052,000, RMB51,052,000, RMB51,052,000 and RMB51,052,000, respectively arising on the acquisition of an associate.

Details of the Group's major associates at December 31, 2019, 2020 and 2021 and June 30, 2022 are as follows:

Name	Place of establishment and operation	Registered/ paid up capital	Percentage of ownership interest attributable to the Group				Principal activities	Notes
			December 31,			June 30,		
			2019	2020	2021	2022		
Zhangjiakou Haiper	PRC	RMB79,167,000/ RMB70,167,000	32.77%	26.22%	26.22%	26.22%	Production of hydrogen and supply of hydrogen to hydrogen refueling facilities	(a)
上海中科同力化工材料有限公司 Shanghai TL Chemical Co., Ltd ("**TL Chemical**")	PRC	RMB8,800,000	18.18%	18.18%	N/A	N/A	Production and sales of pharmaceutical process auxiliary materials, chemical raw materials, plastic raw materials and process auxiliary materials, manufacturing of industrial automatic control system device	(b)
上海億氫科技有限公司 Shanghai Maximfuelcell Technology Co., Ltd ("**Shanghai Maximfuelcell**")	PRC	RMB27,968,000/ RMB19,529,000	20.00%	17.51%	14.30%	14.30%	Research and development and manufacturing of membrane electrode	(c)
張家口市交投氫能新能源科技有限公司 Zhangjiakou Jiaotou Hydrogen New Energy Technology Co., Ltd ("**Jiaotou Hydrogen**")	PRC	RMB28,571,000	40.00%	18.00%	18.00%	18.00%	Operation of hydrogen refueling facilities	(d)

Name	Place of establishment and operation	Registered/ paid up capital	Percentage of ownership interest attributable to the Group				Principal activities	Notes
			December 31,			June 30,		
			2019	2020	2021	2022		
空氣華通(北京)氫能源科技有限公司 Air Sinohytec Hydrogen Technology Co., Ltd ("**Air Sinohytec**")	PRC	RMB100,000,000/ RMB70,000,000	N/A	35.00%	35.00%	35.00%	Investment in hydrogen refueling and storage industry	(e)
聯合燃料電池系統研發(北京)有限公司 United Fuel Cell System R&D (Beijing) Co., Ltd. ("**United Fuel Cell**")	PRC	JPY1,673,000,000	N/A	15.00%	15.00%	15.00%	Research and development of fuel cell stacks with metallic bipolar plates	(f)
北京思偉特新能源科技有限公司 Beijing Swift New Energy Technology Co., Ltd ("**Swift New Energy**")	PRC	RMB31,200,000/ RMB9,000,000	N/A	N/A	30.00%	28.85%	Research and development and manufacturing of renewable energy hydrogen production system and electrolysis equipment	(g)
北京水木領航創業投資中心(有限合夥) Beijing Shuimu Pilot Venture Capital Center (Limited Partnership) ("**Pilot Venture Capital**")	PRC	RMB1,084,000,000/ RMB433,600,000	N/A	N/A	9.23%	9.23%	Venture capital and equity investment in new energy, healthcare and information technology industries	(h)

Notes:

(a) Pursuant to the shareholder resolution of Zhangjiakou Haiper on June 28, 2019, an independent third party contributed cash of RMB90,000,000 to acquire 40.91% of equity interest in Zhangjiakou Haiper. The Group's effective interest in Zhangjiakou Haiper decreased from 63.79% to 32.77% and the director and general manager of Zhangjiakou Haiper appointed by the Group resigned upon the completion of the transaction in September 2019. As a result, the Group lost control over Zhangjiakou Haiper. Accordingly, Zhangjiakou Haiper ceased to be a subsidiary of the Group as from September 30, 2019 (Note 43) and became an associate of the Group with effect from the same date and Zhangjiakou Haiper has since been accounted for using the equity method of accounting. A gain on deemed disposal of a subsidiary of RMB63,459,000 is recognized in consolidated profit or loss for the year ended December 31, 2019.

Besides, pursuant to a contractual agreement dated January 23, 2020 entered into between the existing shareholders of Zhangjiakou Haiper and an independent third party, the independent third party contributed cash of RMB77,500,000 to acquire 20.00% equity interest in Zhangjiakou Haiper. The Group's effective interest in Zhangjiakou Haiper further decreased to 26.22% upon the completion of the transaction in February 2020. A gain on deemed disposal of interest in an associate of RMB16,168,000 was recognized in profit or loss for the year ended December 31, 2020 upon completion of the contribution of the independent third party.

(b) The Group has appointed one out of three of directors in the board of directors since July 31, 2015 which is responsible for relevant activities of TL Chemical. The directors of the Company are in the opinion that the Group has significant influence in TL Chemical.

On December 31, 2021, the director appointed by the Group resigned as a director of TL Chemical. The Group lost its significant influence over TL Chemical. Accordingly, TL Chemical ceased to be an associate of the Group and the remaining interests in TL Chemical is reclassified to financial assets at FVTPL at fair value of RMB2,800,000. A gain on deemed disposal of interest in an associate of RMB707,000 was recognized in profit or loss for the year ended December 31, 2021.

(c) During the year ended December 31, 2019, the Company contributed cash of RMB4,000,000 in total for the establishment of Shanghai Maximfuelcell with four independent third parties and acquired 20.00% of equity interest in Shanghai Maximfuelcell.

During the year ended December 31, 2020, upon the capital injection in Shanghai Maximfuelcell by four independent third parties, the Group's effective interest in Shanghai Maximfuelcell decreased to 17.51% upon the completion of the transaction in May 2020. No gain or loss was recognized for the transaction.

During the year ended December 31, 2021, upon the capital injection in Shanghai Maximfuelcell by independent third parties, the Group's effective interest in Shanghai Maximfuelcell decreased to 14.30% upon the completion of the transaction in September 2021. A gain on deemed disposal of interest in an associate of RMB15,554,000 was recognized in profit or loss for the year ended December 31, 2021 upon completion of the contribution by the independent third parties.

Pursuant to Articles of Association of Shanghai Maximfuelcell, the Group has the right to appoint one out of the seven directors in the board of directors, which is responsible for relevant activities of Shanghai Maximfuelcell and the Group has the right to appoint the chairman of the board of directors of Shanghai Maximfuelcell. Accordingly, the directors of the Company consider that the Group has significant influence in Shanghai Maximfuelcell during the Track Record Period.

(d) During the year ended December 31, 2019, a wholly owned subsidiary of the Company contributed cash of RMB2,000,000 in total for the establishment of Jiaotou Hydrogen an independent third party and acquired 40.00% of equity interest in Jiaotou Hydrogen.

Pursuant to the shareholder resolution of Jiaotou Hydrogen on October 31, 2020, the Group contributed cash of RMB6,000,000 as additional capital injection in Jiaotou Hydrogen. After that, Air Sinohytec, an associate of the Group contributed cash of RMB42,857,000 to acquire 40.00% of equity interest in Jiaotou Hydrogen. The Group's effective interest in Jiaotou Hydrogen decreased from 40% to 28% upon the completion of these transactions in November 2020. A gain on deemed disposal of interest in an associate of RMB6,272,000 was recognized in profit or loss for the year ended December 31, 2020 upon completion of the contribution by Air Sinohytec.

On October 31, 2020, the Group entered into an agreement with Air Sinohytec to dispose 10% of equity interest in Jiaotou Hydrogen at a consideration of RMB14,285,000. A gain on disposal of interest in an associate of RMB11,615,000 is recognized in profit or loss for the year ended December 31, 2020.

Pursuant to Articles of Association of Jiaotou Hydrogen, the Group and Air Sinohytec have the right to appoint one director and two directors, respectively, out of seven directors in the board of directors, which is responsible for relevant activities of Jiaotou Hydrogen. Accordingly, the directors of the Company considered that the Group has significant influence in Jiaotou Hydrogen during the Track Record Period.

(e) During the year ended December 31, 2020, the Company contributed cash of RMB24,500,000 in total for the establishment of Air Sinohytec with an independent third party and acquired 35.00% of equity interest in Air Sinohytec.

(f) During the year ended December 31, 2020, the Company contributed cash of JPY250,950,000 (equivalent to RMB15,716,000) in total for the establishment of United Fuel Cell with five independent third parties and acquired 15.00% of equity interest in United Fuel Cell.

Pursuant to Articles of Association of United Fuel Cell, the Group has the right to appoint one out of the five directors in the board of directors, which is responsible for relevant activities of United Fuel Cell. Hence, the directors of the Company are in the opinion that the Group has significant influence in United Fuel Cell.

(g) During the year ended December 31, 2021, the Company contributed cash of RMB9,000,000 for the establishment of Swift New Energy with two independent third parties and acquired 30% of equity interest in Swift New Energy.

During the six months ended June 30, 2022, upon the capital injection in Swift New Energy by an independent third party, the Group's effective interest in Swift New Energy decreased to 28.85% upon the completion of the transaction in January 2022. No gain or loss on deemed disposal of interest in an associate was recognized in profit or loss for the six months ended June 30, 2022 upon completion of the contribution by the independent third party.

(h) During the year ended December 31, 2021, the Group contributed capitals of RMB40,000,000 to a private equity fund established in the PRC. The fund principally invests in private entities engaged in new energy, healthcare and information technology industries. Although the Group holds less than 20% equity interests in the private equity fund, the Company has appointed one (who is a director of the Company) out of nine members in the investment committee of the fund, which is the highest authority of the fund to direct the relevant activities of the fund. Since a director of the Company is highly involved in the investment decisions of the fund, i.e. the acquisition and disposal of underlying investments, the management of the Group considered that the Group has significant influence over the unlisted fund investment and hence the unlisted fund investment is accounted for as an associate.

(i) The management of the Group performed impairment assessment on the Group's interests in associates by comparing the recoverable amount (higher of value in use and fair value less costs of disposal) with the carrying amount of the interests in associates whenever objective evidence that indicates that the interests in associates may be impaired. In determining the value in use of the interests in associates, the management of the Group estimates the Group's share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds from the ultimate disposal of the investment. The recoverable amounts determined with reference to cash flow forecasts of significant associates and/or subsequent actual and potential capital injection from independent third parties, are higher than their respective carrying amounts, therefore, the management considered that no impairment is required for the Group's interests in associates despite the Group had shared loss during the Track Record Period.

Summarized financial information of material associates

Summarized financial information in respect of each of the Group's material associates is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associates are accounted for using the equity method in the Historical Financial Information.

Zhangjiakou Haiper

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	27,577	31,303	61,354	68,032
Non-current assets	127,668	139,078	106,747	150,892
Current liabilities	(73,472)	(35,788)	(32,203)	(44,068)
Non-current liabilities	(6,000)	(13,180)	(16,186)	(16,133)
Net assets	75,773	121,413	119,712	158,723

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	708	10,156	22,307	8,681
Loss and total comprehensive expense for the year/period	(38,838)	(31,846)	(2,042)	(1,776)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the Historical Financial Information:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets	75,773	121,413	119,712	117,936
Proportion of the Group's ownership interest	32.77%	26.22%	26.22%	26.22%
The Group's share of net assets	16,663	24,482	23,946	23,480
Goodwill	51,052	51,052	51,052	51,052
Carrying amount of the Group's interest	67,715	75,534	74,998	74,532

Pilot Venture Capital

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	N/A	N/A	510,200	495,780
Current liabilities	N/A	N/A	(15,745)	—
Net assets	N/A	N/A	494,455	495,780

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	N/A	N/A	—	—
Profit and total comprehensive income for the year/period *(Note)*	N/A	N/A	60,855	1,325

Note: Pilot Venture Capital generated investment income amounting to RMB77,230,000 and RMBNil during the year ended December 31, 2021 and the six months ended June 30, 2022, respectively.

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the Historical Financial Information:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets	N/A	N/A	494,455	495,780
Proportion of the Group's ownership interest	N/A	N/A	9.23%	9.23%
The Group's share of net assets	N/A	N/A	45,614	45,736
Carrying amount of the Group's interest	N/A	N/A	45,614	45,736

Aggregate information of associates that are not individually material

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group's share of loss and total comprehensive expenses	(359)	(2,483)	(6,826)	(2,897)
Aggregate carrying amount of the Group's interests in these associates	7,401	54,735	70,370	67,473

The Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment in associates	4,000	44,216	93,216	93,216
Share of post-acquisition (loss)/profits and other comprehensive (expense)/income, net of dividends received	(399)	(2,457)	11,991	9,206
	3,601	41,759	105,207	102,422

21. INTEREST IN A JOINT VENTURE

The Group and the Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment in a joint venture	—	—	132,913	132,913
Share of post-acquisition loss and other comprehensive expense, net of dividends received	—	—	(4,730)	(12,631)
	—	—	128,183	120,282

Details of the Group's joint venture at December 31, 2019, 2020 and 2021 and June 30, 2022 are as follows:

Name	Place of establishment and operation	Registered/paid up capital	Percentage of ownership interest attributable to the Group				Principal activities	Note
			December 31,			June 30,		
			2019	2020	2021	2022		
華豐燃料電池有限公司 Toyota Sinohytec Fuel Cell Co., Ltd ("**Toyota Sinohytec**")	PRC	JPY4,500,000,000	N/A	N/A	50%	50%	Manufacturing and trading of fuel cell stacks with metallic bipolar plates	(a)

Note:

Pursuant to a contractual agreement dated March 29, 2021 entered into between the Company and an independent third party, the Company contributed cash of JPY2,250,000,000 (equivalent to RMB132,913,000) in total for the establishment of Toyota Sinohytec and acquired 50.00% of equity interest in Toyota Sinohytec.

According to the shareholders' agreement, the shareholders of Toyota Sinohytec agree that the responsibility for the supervision and management of Toyota Sinohytec and its operations shall rest with the board of directors of the Toyota Sinohytec. The Group is entitled to nominate up to three out of six directors to the board of directors of Toyota Sinohytec. As at December 31, 2021 and June 30, 2022, the Company has appointed three out of six directors. Hence, in the opinion of the directors of the Company, the Group has joint control over Toyota Sinohytec.

The joint venture is accounted for using the equity method in the Historical Financial Information.

The management of the Group performed impairment assessment on the Group's interest in a joint venture by comparing the recoverable amount (higher of value in use and fair value less costs of disposal) with the carrying amount of the interest in a joint venture whenever objective evidence that indicates that the interest in a joint venture may be impaired. In determining the value in use of the interest in a joint venture, the management of the Group estimates the Group's share of the present value of the estimated future cash flows expected to be generated by the joint venture, including the cash flows from the operations of the joint venture and the proceeds from the ultimate disposal of the investment. The recoverable amounts determined with reference to cash flow forecasts of the joint venture, is higher than its respective carrying amount, therefore, the management considered that no impairment is required for the Group's interest in a joint venture despite the Group had shared loss during the Track Record Period.

Toyota Sinohytec

Summarized financial information in respect of Toyota Sinohytec is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	N/A	N/A	255,154	277,368
Non-current assets	N/A	N/A	15,715	22,405
Current liabilities	N/A	N/A	(11,087)	(57,549)
Non-current liabilities	—	—	(3,406)	(1,648)
Net assets	N/A	N/A	256,376	240,576
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	N/A	N/A	201,571	137,972
Current financial liabilities (excluding trade and other payables and provisions)	N/A	N/A	(1,651)	(2,822)
Non-current financial liabilities (excluding trade and other payables and provisions)	N/A	N/A	(1,758)	—

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	N/A	N/A	25,852	3,947
Loss and total comprehensive expense for the year/period	N/A	N/A	(9,461)	(15,801)
Dividends received from the joint venture	N/A	N/A	—	—
The above loss for the year/period includes the following:				
Depreciation and amortization	N/A	N/A	606	1,860
Interest income	N/A	N/A	1,098	1,072

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the Historical Financial Information:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets	N/A	N/A	256,376	240,576
Proportion of the Group's ownership interest	N/A	N/A	50%	50%
The Group's share of net assets	N/A	N/A	128,183	120,282
Carrying amount of the Group's interest	N/A	N/A	128,183	120,282

22. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The Company

(a) Interests in subsidiaries

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	250,270	309,920	341,925	342,925

The Company tested its investments in subsidiaries for impairment by comparing the recoverable amounts with the carrying amounts. In determining the recoverable amount of the investments in the subsidiaries, the Company estimates its shares of present value of estimated future cash flows expected to generate from the operations of the subsidiaries. The Company tested its investments in subsidiaries for impairment annually or more frequently if events or changes in circumstances indicated that they might be impaired. During the Track Record Period, the estimated recoverable amounts of the investments in subsidiaries were greater than the carrying values and therefore no impairment was recorded.

(b) Amounts due from subsidiaries

As at December 31, 2020, the amount included a balance of RMB127,500,000 due from a subsidiary of the Company, bear interest rate of 3.85% per annum and repayable within one year, the remaining balances as at December 31, 2019, 2020 and 2021 and June 30, 2022 are non-interest bearing, unsecured and are repayable on demand. As at December 31, 2019, 2020 and 2021 and June 30, 2022, expected credit loss recognized for amounts due from subsidiaries were RMBNil, RMBNil, RMB14,231,000 and RMB14,231,000 respectively.

(c) Amount due to a subsidiary

As at December 31, 2021 and June 30, 2022, the amount due to a subsidiary is non-interest bearing, unsecured and are repayable on demand.

23a. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and the Company

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Unlisted equity investments, at fair value — 合眾新能源汽車有限公司 ("**Hozonauto**") *(Note)*	62,109	62,109	170,900	218,800

Note:

The Group held 3.23%, 1.93%, 1.19% and 1.19% equity interest in Hozonauto as at December 31, 2019, 2020, 2021 and June 30, 2022, respectively, as long term investment and designated as FVTOCI.

On November 7, 2019, the Company entered into an agreement with the founding shareholder parties and a new investor, for the injection of new capital to Hozonauto by the new investor. Upon the completion of capital contribution of RMB317,000,000 by the new investor on January 6, 2020, the Company held 3.23% of equity interest of Hozonauto.

On December 26, 2019, the Company entered into an agreement with the founding shareholder parties and a new investor, for the injection of new capital to Hozonauto by the new investor. Upon the completion of capital contribution of RMB2,500,000,000 by the new investor on February 28, 2020, the Company held 1.93% of equity interest of Hozonauto.

On January 3, 2021, the Company entered into an agreement with the founding shareholder parties and a new investor, for the injection of new capital to Hozonauto by the new investor. Upon the completion of capital contribution of RMB2,000,000,000 by the new investor on April 6, 2021, the Company held 1.61% of equity interest of Hozonauto.

In October 2021, the founding shareholder parties of Hozonauto entered into an agreement with the new investors, for the injection of new capital to Hozonauto by the new investors. Upon the completion of capital contribution of RMB3,522,000,000 by the new investors, the Company held 1.53% of equity interest of Hozonauto.

On December 8, 2021, the founding shareholder parties of Hozonauto entered into an agreement with the new investors, for the injection of new capital to Hozonauto by the new investors. Upon the completion of capital contribution of RMB2,790,000,000 by the new investors in December 2021, the Company held 1.19% of equity interest of Hozonauto.

23b. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Unlisted equity investments, at fair value — TL Chemical *(Note (a))*	—	—	2,800	2,800
Current assets				
Wealth management products *(Note (b))*	—	50,000	222,170	374,082

The Company

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Wealth management products *(Note (b))*	—	50,000	2,000	240,853

Notes:

(a) As disclosed in Note 20(b), TL Chemical ceased to be an associate of the Group and the Group held 18.18% and 18.18% equity interest in TL Chemical as financial assets at FVTPL on December 31, 2021 and June 30, 2022.

(b) The wealth management product was issued by banks in the PRC with no guarantee on their return but the principal were guaranteed. The wealth management products are structured fixed deposits with financial institutions with maturities within one year. The principal of the structured fixed deposits will be invested in debt instruments or derivative markets. The Group received variable return depending on the return of the derivative. The returns of these investments were determined by reference to the performance of the expected return rates stated in the contracts.

24. INVENTORIES

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumables	82,171	85,499	89,955	115,577
Work in progress	63,049	28,621	62,333	74,656
Finished goods	59,433	58,434	108,072	104,775
	204,653	172,554	260,360	295,008

The write-down of inventories of approximately RMB9,679,000, RMB15,905,000, RMB47,056,000 and RMB27,606,000 are recognized for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

The Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumables	64,481	71,622	68,267	68,172
Work in progress	32,302	8,597	17,404	7,235
Finished goods	46,549	39,911	72,359	62,022
	143,332	120,130	158,030	137,429

The write-down of inventories of approximately RMB4,212,000, RMB15,854,000, RMB34,300,000 and RMB16,034,000 are recognized for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

25. TRADE AND BILLS RECEIVABLES

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	698,996	1,017,379	1,058,849	1,077,416
Bills receivables	59,903	92,905	124,590	35,815
Less: Allowance for expected credit losses	(82,155)	(174,372)	(339,070)	(333,738)
	676,744	935,912	844,369	779,493

The Group's trading terms with its customers are mainly on credit. The credit period is generally from one month to three months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

The following is an aged analysis of trade and bills receivables net of allowance for expected credit losses presented based on revenue recognition date.

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	434,944	492,948	349,635	203,449
90 to 180 days	19,641	67,081	230,493	105,060
180 days to 1 year	73,076	14,246	110,504	357,112
1 year to 2 years	126,297	278,737	90,748	77,168
Over 2 years	22,786	82,900	62,989	36,704
	676,744	935,912	844,369	779,493

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Group continued to recognize the full carrying amounts of bills receivables endorsed to certain of its suppliers in order to settle the trade payables due to such suppliers amounting to RMB29,743,000, RMB2,996,000, RMB17,880,000 and RMB33,862,000, respectively since the Group has not transferred the significant risks and rewards relating to these receivables. The relevant payables are accounted for as "endorsed bills" under "other payables and accruals". All bills received by the Group are with a maturity period of less than one year.

The Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	403,606	606,942	671,738	734,352
Bills receivables	24,930	77,258	74,046	12,114
Less: Allowance for expected credit losses	(15,507)	(28,409)	(33,467)	(37,587)
	413,029	655,791	712,317	708,879

The Company's trading terms with its customers are mainly on credit. The credit period is generally from one month to three months. The Company seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

The following is an aged analysis of trade and bills receivables of the Company net of allowance for expected credit losses presented based on revenue recognition date.

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	236,752	324,897	215,361	165,439
90 to 180 days	8,791	67,238	211,289	105,217
180 days to 1 year	45,934	16,389	122,656	315,125
1 year to 2 years	116,406	239,621	49,768	62,206
Over 2 years	5,146	7,646	113,243	60,892
	413,029	655,791	712,317	708,879

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Company continued to recognize the full carrying amounts of bills receivables endorsed to certain of its suppliers in order to settle the trade payables due to such suppliers amounting to RMB12,281,000, RMB848,000, RMB6,494,000 and RMB2,314,000, respectively since the Company has not transferred the significant risks and rewards relating to these receivables. The relevant payables are accounted for as "endorsed bills" under "other payables and accruals". All bills received by the Company are with a maturity period of less than one year.

Details of impairment assessment of trade and bills receivables and contract assets of the Group and the Company are set out in Note 39(b).

26. CONTRACT ASSETS

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Retention receivables	18,731	25,661	25,785	26,014

The Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Retention receivables	7,927	5,949	4,495	7,148

As at January 1, 2019, contract assets of the Group and the Company amounted to RMB6,247,000 and RMB3,442,000, respectively.

Contract assets of the Group and the Company represent retention receivables that are consideration withheld by customers which are unsecured, interest-free and recoverable after the completion of defect liability period of the relevant contracts, usually being 1 to 2 years from the date of acceptance of the control of goods transferred to the customers. Contract assets are classified as current assets, as they are expected to be settled within the Group's and the Company's normal operating cycle.

Details of impairment assessment of contract assets of the Group and the Company are set out in Note 39(b).

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Prepayment for purchase of property, plant and equipment	41,793	34,146	30,692	35,399
Others	1,026	3,139	1,845	191
	42,819	37,285	32,537	35,590
Current assets				
Prepayments *(Note (a))*	28,784	8,868	18,413	28,216
Deposits and other receivables	6,504	2,504	6,171	10,577
Value Added Tax ("**VAT**") recoverables	10,771	30,370	56,011	62,401
Amount due from an associate *(Note 41(c)(ii))*	32,826	33,128	27,050	18,782
Prepayment to a related company *(Note 41(c)(i))*	—	49	41	63
Prepaid listing expenses for listing on the Hong Kong Stock Exchange	—	—	—	3,014
	78,885	74,919	107,686	123,053
	121,704	112,204	140,223	158,643

Notes:

(a) As at December 31, 2019, the prepayments of the Group mainly represent prepayments for raw materials, utilities, software expense and listing expense for initial public offering and listing on the Shanghai Stock Exchange which will be utilized within 12 months from the end of the reporting period. As at December 31, 2020, 2021 and June 30, 2022, the prepayments of the Group mainly represent prepayments for raw materials, utilities and software expense which will be utilized within 12 months from the end of the reporting period.

(b) The information about the credit exposure and details of impairment assessment of prepayments, deposits and other receivables are set out in Note 39(b) to the Historical Financial Information.

The Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Prepayment for purchase of property, plant and equipment	28,439	24,516	20,188	18,837
Others	441	2,044	147	172
	28,880	26,560	20,335	19,009
Current assets				
Prepayments *(Note (a))*	12,081	4,748	4,626	7,999
Deposits and other receivables	2,042	724	3,179	6,270
VAT recoverables	3,758	18,042	30,295	29,018
Prepayment to a related company *(Note 41(c)(i))*	—	49	41	63
Prepaid listing expenses for listing on the Hong Kong Stock Exchange	—	—	—	3,014
	17,881	23,563	38,141	46,364
	46,761	50,123	58,476	65,373

Notes:

(a) As at December 31, 2019, the prepayments of the Company mainly represent prepayments for raw materials, utilities, software expense and listing expense for initial public offering and listing on the Shanghai Stock Exchange which will be utilized within 12 months from the end of the reporting period. As at December 31, 2020 and 2021 and June 30, 2022, the prepayments of the Company mainly represent prepayments for raw materials, utilities and software expense which will be utilized within 12 months from the end of the reporting period.

(b) The information about the credit exposure and details of impairment assessment of prepayments, deposits and other receivables are set out in Note 39(b) to Historical Financial Information.

28. BANK BALANCES AND CASH AND RESTRICTED AND PLEDGED BANK DEPOSITS

The Group

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank balances and cash				
Cash on hand	88	143	109	96
Cash at banks	201,449	965,786	804,858	632,921
	201,537	965,929	804,967	633,017
Restricted and pledged bank deposits	2	91,597	51,318	30,524
	201,539	1,057,526	856,285	663,541

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Restricted and pledged bank deposits carry fixed interest rate ranged from 0.3%, 0.3%–1.3%, 0.3%–1.3% and 0.3%–1.95% as at December 31, 2019, 2020, and 2021 and June 30, 2022, respectively. Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Pledged bank deposits amounting to RMB2,000, RMB91,597,000, RMB47,592,000 and RMB26,798,000 as at December 31, 2019, 2020, and 2021 and June 30, 2022, respectively, have been pledged to secure bills payables and are therefore classified as current assets. Restricted bank deposits amounting to RMBNil, RMBNil, RMB3,726,000 and RMB3,726,000 as at December 31, 2019, 2020, and 2021 and June 30, 2022, respectively, have been frozen by the PRC court pending the outcome of the legal proceedings initiated by the Group's creditor relating to certain sales or purchases contracts.

The Company

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank balances and cash				
Cash on hand	67	50	56	61
Cash at banks	82,281	880,257	671,601	569,062
	82,348	880,307	671,657	569,123
Restricted and pledged bank deposits	2	89,197	45,535	18,640
	82,350	969,504	717,192	587,763

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Restricted and pledged bank deposits carry fixed interest rate ranged from 0.3%, 0.3%–1.3%, 0.3%–1.3% and 0.3% as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Restricted bank deposits represent deposits pledged to banks to secure banking facilities granted to the Company. Pledged bank deposits amounting to RMB2,000, RMB89,197,000, RMB42,177,000 and RMB15,282,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, have been pledged to secure bills payables and are therefore classified as current assets. Restricted bank deposits amounting to RMBNil, RMBNil, RMB3,358,000 and RMB3,358,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, have been frozen by the PRC court pending the outcome of the legal proceedings initiated by the Company's creditor relating to certain sales or purchases contracts.

The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Details of impairment assessment of bank balances and restricted and pledged bank deposits of the Group and the Company are set out in Note 39(b).

29. TRADE AND BILLS PAYABLES

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills payable	—	93,773	83,268	67,440
Trade payables	205,977	167,808	230,077	252,419
	205,977	261,581	313,345	319,859

The following is an aged analysis of trade and bills payables as at December 31, 2019, 2020 and 2021 and June 30, 2022, presented based on the invoice date.

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	167,343	174,420	221,791	155,975
90 to 180 days	14,081	56,916	57,218	83,847
180 days to 1 year	16,655	17,302	19,040	60,524
1 year to 2 years	5,918	10,786	10,117	14,089
Over 2 years	1,980	2,157	5,179	5,424
	205,977	261,581	313,345	319,859

The trade payables are non-interest-bearing and are normally settled on terms of 90 days.

The bills payable are guaranteed by banks in the PRC and have maturities of 3 to 6 months.

The Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills payable	—	89,120	60,083	77,030
Trade payables	130,892	129,354	254,243	329,653
	130,892	218,474	314,326	406,683

The following is an aged analysis of trade and bills payables as at December 31, 2019, 2020 and 2021 and June 30, 2022, presented based on the invoice date.

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	122,754	115,651	159,629	344,718
90 to 180 days	1,735	74,330	109,429	38,695
180 days to 1 year	6,193	11,934	32,170	18,704
1 year to 2 years	134	15,139	11,885	3,186
Over 2 years	76	1,420	1,213	1,380
	130,892	218,474	314,326	406,683

The trade payables are non-interest-bearing and are normally settled on terms of 90 days.

The bills payable are guaranteed by banks in the PRC and have maturities of 3 to 6 months.

30. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Warranty provision *(Note (a))*	12,878	19,856	28,651	31,226
Current				
Accrued social security costs	661	735	1,220	1,336
Accrued service expenses	2,727	2,021	3,795	1,224
Amounts due to subscribers for new registered capital of a subsidiary *(Note (b))*	36,000	—	—	—
Amount due to an associate *(Note 41(c)(i))*	—	29	79	25
Amounts due to related companies *(Note 41(c)(i))*	105	—	—	617
Endorsed bills	29,743	2,996	17,880	33,862
Interest payable	170	205	134	174
Salary payable	19,268	23,229	36,692	22,724
Payable of purchase of property, plant and equipment	5,508	17,938	33,311	29,337
Other tax payables *(Note (c))*	8,713	3,318	3,105	905
Accrued listing expenses for listing on the Hong Kong Stock Exchange	—	—	9,259	9,049
Others	9,620	7,255	10,650	9,841
	112,515	57,726	116,125	109,094
	125,393	77,582	144,776	140,320

Notes:

(a) The movements in the warranty provision are as follows:

	RMB'000
At January 1, 2019	7,215
Additional provision in the year	7,979
Utilization of provision	(2,316)
At December 31, 2019 and January 1, 2020	12,878
Additional provision in the year	7,494
Utilization of provision	(516)
At December 31, 2020 and January 1, 2021	19,856
Additional provision in the year	11,851
Utilization of provision	(3,056)
At December 31, 2021 and January 1, 2022	28,651
Additional provision in the period	3,847
Utilization of provision	(1,272)
At June 30, 2022	31,226

The warranty provision represents management's best estimate of the Group's liability under 5 to 8 years assurance-type warranty granted on fuel cell systems, based on prior experience and industry averages for defective products. The warranty provision is reviewed yearly to verify it is properly reflecting the outstanding obligation over the warranty period.

(b) As at December 31, 2019, the amount represented receipt in advance from 3 independent third parties for the capital injection in a subsidiary of the Group and while the legal procedures for the capital injection had yet to complete as at December 31, 2019. The capital injection was completed on August 24, 2020.

(c) As at December 31, 2019, 2020 and 2021 and June 30, 2022, other tax payables mainly represented PRC Value Added Tax payable of RMB6,045,000, RMB1,615,000, RMB1,262,000 and RMB25,000 respectively and PRC Urban Maintenance and Construction Tax of RMB1,227,000, RMB644,000, RMB412,000 and RMB41,400, respectively.

The Company

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Warranty provision *(Note (a))*	4,778	8,477	13,161	16,117
Current				
Accrued social security costs	360	401	635	717
Accrued service expenses	—	1,968	2,044	56
Amount due to a related company *(Note 41(c)(i))*	62	—	—	617
Endorsed bills	12,281	848	6,494	2,314
Interest payable	15	77	52	97
Salary payable	11,421	17,429	21,286	15,765
Payable of purchase of property, plant and equipment	763	1,801	3,710	18
Other tax payables *(Note (b))*	1,600	1,230	1,093	649
Accrued listing expenses for listing on the Hong Kong Stock Exchange	—	—	9,259	9,049
Others	6,036	3,807	6,318	6,946
	32,538	27,561	50,891	36,228
	37,316	36,038	64,052	52,345

Notes:

(a) The movements in the warranty provision are as follows:

	RMB'000
At January 1, 2019	2,883
Additional provision in the year	3,321
Utilization of provision	(1,426)
At December 31, 2019 and January 1, 2020	4,778
Additional provision in the year	3,907
Utilization of provision	(208)
At December 31, 2020 and January 1, 2021	8,477
Additional provision in the year	7,424
Utilization of provision	(2,740)
At December 31, 2021 and January 1, 2022	13,161
Additional provision in the period	3,654
Utilization of provision	(698)
At June 30, 2022	16,117

The warranty provision represents management's best estimate of the Company's liability under 5 to 8 years assurance-type warranty granted on fuel cell systems, based on prior experience and industry averages for defective products. The warranty provision is reviewed yearly to verify it is properly reflecting the outstanding obligation over the warranty period

(b) As at December 31, 2019, 2020 and 2021 and June 30, 2022, other tax payables mainly represented PRC Urban Maintenance and Construction Tax of RMB790,000, RMB523,000, RMB326,000 and RMB41,400 respectively.

31. CONTRACT LIABILITIES

The Group

The Group recognized the following revenue-related contract liabilities:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of fuel cell systems	7,075	2,923	5,772	7,615

The Group receives certain amount of the contract values as receipt in advances upon receiving the purchase orders from customers. The receipt in advance results in contract liabilities being recognized until the customer obtains control of the goods.

The Group typically receives a 30% prepayment from customers on acceptance of service orders. The amount of the prepayment, if any, was negotiated on a case by case basis with customers. The remaining of the consideration is payable by 2 to 3 installments in manner as set out in the contracts.

As at January 1, 2019, contract liabilities amounted to RMB7,369,000. The contract liabilities as at January 1, 2019, 2020, 2021 were fully recognized as revenue during the year ended December 31, 2019, 2020 and 2021, respectively. The contract liabilities amounted to RMB3,056,000 were recognized as revenue during the six months ended June 30, 2022.

The Company

The Company recognized the following revenue-related contract liabilities:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of fuel cell systems	738	540	155	431

The Group receives certain amount of the contract values as receipt in advances upon receiving the purchase orders from customers. The receipt in advance results in contract liabilities being recognized until the customer obtains control of the goods.

The Group typically receives a 30% prepayment from customers on acceptance of service orders. The amount of the prepayment, if any, was negotiated on a case by case basis with customers. The remaining of the consideration is payable by 2 to 3 installments in manner as set out in the contracts.

As at January 1, 2019, contract liabilities amounted to RMB1,679,000. The contract liabilities as at January 1, 2019, 2020, 2021 were fully recognized as revenue during the year ended December 31, 2019, 2020 and 2021, respectively. No contract liabilities were recognized as revenue during the six months ended June 30, 2022.

32. BANK BORROWINGS

The Group

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed-rate borrowings				
Secured	30,000	45,000	20,000	20,000
Unsecured	75,000	125,382	97,825	164,873
	105,000	170,382	117,825	184,873

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the above borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):				
Within one year	105,000	150,382	117,825	165,273
Within a period of more than one year but not exceeding two years	—	20,000	—	19,600
	105,000	170,382	117,825	184,873
Less: Amounts due within one year shown under current liabilities	(105,000)	(150,382)	(117,825)	(165,273)
Amounts shown under non-current liabilities	—	20,000	—	19,600

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are 4.57% to 5.87% per annum, 3.65% to 4.79% per annum, 3.75% to 4.00% per annum and 3.00% to 4.00% per annum as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, these bank loans were pledged by certain plants and buildings with an aggregate carrying amount of RMB58,379,000, RMB58,379,000, RMB55,697,000 and RMB54,357,000, respectively (Note 17).

Bank borrowings of the Group of RMB40,000,000, RMB44,000,000, RMB18,000,000 and RMB Nil are guaranteed by Mr. Zhang and Ms. Xu Huini ("**Mrs. Zhang**"), the spouse of Mr. Zhang as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

Bank borrowings of the Group of RMB30,000,000, RMB61,382,000, RMB44,000,000 and RMB24,000,000 are guaranteed by Mr. Zhang as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

Bank borrowings of the Group of RMB35,000,000 are guaranteed by independent financing guarantee companies as at December 31, 2019. The fee charged by the independent financing guarantee companies was recognized in profit or loss during the year ended December 31, 2019. The guarantees were subsequently released when the bank borrowings were fully repaid.

The Company

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed-rate borrowings				
Unsecured	10,000	66,382	44,845	102,993

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the above borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):				
Within one year	10,000	46,382	44,845	102,993
Within a period of more than one year but not exceeding two years	—	20,000	—	—
	10,000	66,382	44,845	102,993
Less: Amounts due within one year shown under current liabilities	(10,000)	(46,382)	(44,845)	(102,993)
Amounts shown under non-current liabilities	—	20,000	—	—

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Company's borrowings are 5.70% per annum, 3.85% to 4.79% per annum, 3.75% to 3.85% per annum and 3.40% to 3.85% per annum as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

Bank borrowings of the Company of RMB10,000,000, RMB40,000,000, RMB18,000,000 and RMB Nil as at December 31, 2019, 2020 and 2021 and June 30, 2022 are guaranteed by Mr. Zhang and Mrs. Zhang respectively.

Bank borrowings of the Company of RMBNil, RMB26,382,000, RMBNil and RMBNil as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, are guaranteed by Mr. Zhang.

33. LEASE LIABILITIES

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities payable:				
With one year	11,063	6,475	6,931	5,246
Within a period of more than one year but not more than two years	1,793	6,366	2,888	1,064
Within a period of more than two years but not more than three years	1,718	1,803	629	91
	14,574	14,644	10,448	6,401
Less: Amounts for settlement with 12 months shown under current liabilities	(11,063)	(6,475)	(6,931)	(5,246)
Amount due for settlement after 12 months shown under non-current liabilities	3,511	8,169	3,517	1,155

The weighted average incremental borrowing rates applied to lease liabilities ranged from 4.75% to 6.75%, 4.75% to 6.75%, at 4.75% and 4.75% as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

The Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities payable:				
With one year	1,454	4,523	5,865	5,127
Within a period of more than one year but not more than two years	—	4,532	2,888	1,064
Within a period of more than two years but not more than three years	—	1,804	629	91
	1,454	10,859	9,382	6,282
Less: Amounts for settlement with 12 months shown under current liabilities	(1,454)	(4,523)	(5,865)	(5,127)
Amount due for settlement after 12 months shown under non-current liabilities	—	6,336	3,517	1,155

The weighted average incremental borrowing rates applied to lease liabilities are 4.75%, 4.75%, 4.75% and 4.75% as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

34. DEFERRED INCOME

The Group

	RMB'000
At January 1, 2019	80,820
Addition during the year	12,693
Deemed disposal of a subsidiary *(Note 43)*	(6,000)
Recognized in consolidated statement of profit or loss	(14,555)
At December 31, 2019 and January 1, 2020	72,958
Addition during the year	27,589
Recognized in consolidated statement of profit or loss	(4,664)
At December 31, 2020 and January 1, 2021	95,883
Addition during the year	31,018
Refund during the year	(36)
Recognized in consolidated statement of profit or loss	(14,597)
At December 31, 2021 and January 1, 2022	112,268
Addition during the period	11,400
Recognized in consolidated statement of profit or loss	(3,073)
At June 30, 2022	120,595

The Company

	RMB'000
At January 1, 2019	34,115
Addition during the year	9,458
Recognized in statement of profit or loss	(13,654)
At December 31, 2019 and January 1, 2020	29,919
Addition during the year	13,033
Recognized in statement of profit or loss	(150)
At December 31, 2020 and January 1, 2021	42,802
Addition during the year	888
Refund during the year	(36)
Recognized in statement of profit or loss	(7,179)
At December 31, 2021 and January 1, 2022	36,475
Addition during the period	500
Recognized in consolidated statement of profit or loss	(1,252)
At June 30, 2022	35,723

Deferred income mainly represents the PRC local government grants received from relevant PRC authorities for compensate the Group's development costs and fixed asset investments. Government grants received for compensate for the Group's development costs which has not yet been undertaken are included in deferred income and recognized as income on a systematic basis of over the periods that the cost, which it is intended to compensate, are expensed. Government grants received relates to assets invested in laboratory equipment and plant were credited to deferred income and are recognized as income over the expected useful lives of the relevant assets.

35. DEFERRED TAX

The Group

The following are the Group's major deferred tax assets/(liabilities) recognized and movements thereon during the Track Record Period:

	Impairment of assets	Warranty provision	Unrealized profits from intercompany transactions	Tax losses	Deferred income	Government grant	Accelerated tax depreciation	Fair value adjustments of property, plant and equipment	Fair value adjustments of financial assets at FVTPL/OCI	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	4,718	1,082	885	1,625	338	2,056	—	(3,261)	(1,816)	5,627
Credited to profit or loss	10,449	850	1,493	1,786	79	350	—	141	—	15,148
At December 31, 2019 and January 1, 2020	15,167	1,932	2,378	3,411	417	2,406	—	(3,120)	(1,816)	20,775
Credited/(charged) to profit or loss	17,132	1,046	638	828	(417)	1,056	—	141	—	20,424
At December 31, 2020 and January 1, 2021	32,299	2,978	3,016	4,239	—	3,462	—	(2,979)	(1,816)	41,199
Credited/(charged) to profit or loss	31,142	1,312	2,047	6,415	5,668	(3,462)	(3,809)	141	(141)	39,313
Charged to other comprehensive income	—	—	—	—	—	—	—	—	(16,318)	(16,318)
At December 31, 2021 and January 1, 2022	63,441	4,290	5,063	10,654	5,668	—	(3,809)	(2,838)	(18,275)	64,194
Credited/(charged) to profit or loss	5,445	598	(2,129)	10,145	(56)	—	226	70	(285)	14,014
Credited to other comprehensive income	—	—	—	—	—	—	—	—	(7,185)	(7,185)
At June 30, 2022	68,886	4,888	2,934	20,799	5,612	—	(3,583)	(2,768)	(25,745)	71,023

For the purpose of presentation in the Historical Financial Information, certain deferred tax assets and liabilities have been offset. The following is the analysis of the net deferred tax balances for financial reporting purposes:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets	23,895	45,995	70,550	74,197
Net deferred tax liabilities	(3,120)	(4,796)	(6,356)	(3,174)
	20,775	41,199	64,194	71,023

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Group has unused tax losses of RMB35,987,000, RMB47,396,000, RMB126,795,000, RMB239,140,000, respectively available for offset against future profits. A deferred tax asset has been recognized in respect of RMB22,739,000, RMB28,259,000, RMB71,030,000 and RMB138,660,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively of such losses. No deferred tax asset has been recognized in respect of the remaining RMB13,248,000, RMB19,137,000, RMB55,765,000 and RMB100,480,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively due to the unpredictability of future profit streams. The tax losses can be carried forward against future taxable income, and will be expired between 2022 and 2026 under PRC tax regulations.

The Company

The following are the Company's major deferred tax assets/(liabilities) recognized and movements thereon during the Track Record Period:

	Impairment of assets	Warranty provision	Tax losses	Fair value adjustments of financial assets at FVTPL/OCI	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	2,657	432	—	(1,816)	1,273
Credited to profit or loss	1,183	284	—	—	1,467
At December 31, 2019 and January 1, 2020	3,840	716	—	(1,816)	2,740
Credited to profit or loss	4,536	555	—	—	5,091
At December 31, 2020 and January 1, 2021	8,376	1,271	—	(1,816)	7,831
Credited to profit or loss	6,401	703	—	—	7,104
Charged to other comprehensive income	—	—	—	(16,318)	(16,318)
At December 31, 2021 and January 1, 2022	14,777	1,974	—	(18,134)	(1,383)
Credited to profit or loss	2,822	443	3,767	(128)	6,904
Credited to other comprehensive income	—	—	—	(7,185)	(7,185)
At June 30, 2022	17,599	2,417	3,767	(25,447)	(1,664)

36. SHARE CAPITAL

The Company

	Number of shares	Amount
		RMB'000
Registered, issued and fully paid ordinary shares with par value of RMB1.00 each share		
At January 1, 2019	46,556,974	46,557
Issue of shares *(Note (a))*	6,312,503	6,312
At December 31, 2019 and January 1, 2020	52,869,477	52,869
Issue of shares *(Note (b))*	17,630,523	17,631
At December 31, 2020 and January 1, 2021	70,500,000	70,500
Placement of shares *(Note (c))*	850,991	851
At December 31, 2021 and January 1, 2022	71,350,991	71,351
Issue by capitalization of capital reserve *(Note (d))*	28,540,396	28,540
At June 30, 2022	99,891,387	99,891

Notes:

(a) Pursuant to the resolution of the shareholders of the Company on January 9, 2019, 6,312,503 ordinary shares of the Company with a par value of RMB1.00 were allotted and issued to the existing shareholders at a price of RMB48 per share. The proceeds of RMB6,312,000, representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses, of RMB288,869,000 were credited to the share premium account.

(b) On August 10, 2020, the Company issued 17,630,523 ordinary shares with a par value of RMB1.00, at a price of RMB76.65 per share upon the listing of the shares on the Shanghai Stock Exchange. The proceeds of RMB17,631,000, representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses, of RMB1,207,038,000 were credited to the share premium account.

(c) In July 2021, the registered share capital of the Company was increased from RMB70,500,000 to RMB71,351,000 by way of private placement, where a total number of 850,991 shares were subscribed at RMB235.02 per share by 4 placees not related to the controlling shareholder of the Company. Upon the completion of private placement, net proceeds of RMB195,234,000 was raised by the Company. The share capital of the Company increased by RMB851,000 and the share premium of the Company increased by RMB194,383,000.

(d) Pursuant to the approval of by the board of directors of the Company on May 6, 2022 and the approval of the Company's shareholders at the annual general meeting of the Company on May 20, 2022, the Company issued four capitalization shares to all shareholders for every ten shares by way of capitalization of capital reserve (the "**Capitalization Issue**"). As such, based on the total number of issued shares of the Company of 71,350,991 shares as at June 1, 2022, the total number of capitalization shares under the Capitalization Issue was 28,540,396 shares. The new shares were listed on the Shanghai Stock Exchange on June 6, 2022.

37. RESERVES

The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity of the Historical Financial Information.

Statutory surplus reserve

In accordance with the relevant laws and regulations in the PRC, the PRC subsidiaries of the Group are required to appropriate 10% of the annual statutory net profit, after offsetting any prior years' losses to the statutory reserve fund before distributing the net profit. When the respective balance of the statutory reserve fund reaches 50% of the share capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders of the PRC subsidiaries. The statutory reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the respective remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital of the PRC subsidiaries.

The Company

	Share premium	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	556,096	2,258	4,866	—	40,896	604,116
Profit and total comprehensive income for the year	—	—	—	—	30,082	30,082
Appropriation to statutory reserve	—	—	2,949	—	(2,949)	—
Issue of shares *(Note 36(a))*	288,869	—	—	—	—	288,869
At December 31, 2019 and January 1, 2020	844,965	2,258	7,815	—	68,029	923,067
Profit and total comprehensive income for the year	—	—	—	—	14,234	14,234
Appropriation to statutory reserve	—	—	1,401	—	(1,401)	—
Issue of shares *(Note 36(b))*	1,207,038	—	—	—	—	1,207,038
At December 31, 2020 and January 1, 2021	2,052,003	2,258	9,216	—	80,862	2,144,339
Loss for the year	—	—	—	—	(759)	(759)
Other comprehensive income for the year, net of income tax	—	—	—	92,473	—	92,473
Total comprehensive income for the year	—	—	—	92,473	(759)	91,714
Placement of shares *(Note 36(c))*	194,383	—	—	—	—	194,383
At December 31, 2021 and January 1, 2022	2,246,386	2,258	9,216	92,473	80,103	2,430,436
Loss for the period	—	—	—	—	(26,627)	(26,627)
Other comprehensive income for the period, net of income tax	—	—	—	40,715	—	40,715
Total comprehensive income/(expense) for the period	—	—	—	40,715	(26,627)	14,088
Issue by capitalization of capital reserve *(Note 36(d))*	(28,540)	—	—	—	—	(28,540)
At June 30, 2022	2,246,386	2,258	9,216	133,188	53,476	2,415,984

38. CAPITAL COMMITMENTS

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property and equipment, intangible assets and associates contracted for but not provided in the Historical Financial Information	101,978	97,347	133,038	141,380

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
At FVTOCI	62,109	62,109	170,900	218,800
At FVTPL	—	50,000	224,970	376,882
At amortized cost	917,613	2,029,070	1,733,875	1,534,986
	979,722	2,141,179	2,129,745	2,130,668
Financial liabilities				
At amortized cost	426,937	505,174	569,669	642,468
Lease liabilities	14,574	14,644	10,448	6,401
	441,511	519,818	580,117	648,869

The Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
At FVTOCI	62,109	62,109	170,900	218,800
At FVTPL	—	50,000	2,000	240,853
At amortized cost	599,625	1,826,720	1,807,853	1,721,039
	661,734	1,938,829	1,980,753	2,180,692
Financial liabilities				
At amortized cost	177,847	318,525	423,501	581,015
Lease liabilities	1,454	10,859	9,382	6,283
	179,301	329,384	432,883	587,298

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTOCI, financial assets at FVTPL, trade and bills receivables, deposits and other receivables, restricted and pledged bank deposits, cash and cash equivalents, trade and bills payables, other payables, bank borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Currency risk

The Group and the Company currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

No sensitivity analysis on currency risk is presented as the management of the Group considered that there would not be a significant change of prevailing exchange rate and the exposure of currency rate risk of the Group and the Company is insignificant.

Interest rate risk

The Group's interest rate risk arises primarily from cash at banks, bank borrowings and lease liabilities. Bank balances and deposits at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group's bank balances and deposits are placed with banks and the management of the Group manages this risk by placing deposits at various maturities and interest rate terms. The Group is also exposed to fair value interest rate risk for fixed rate bank borrowings and lease liabilities. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the market rates from bank balances. The Group currently does not hedge its exposure to cash flow and fair value interest rate risk.

No sensitivity analysis is presented since the management of the Group consider the exposure of cash flow interest rate risk arising from variable-rate bank balances and term deposits is insignificant.

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bills receivables, contract assets, other receivables, restricted and pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimize the credit risk, the management of the Group assesses the potential customer's credit quality and defines credit limits by customer and the credit limits assigned to each customer is regularly reviewed by the management of the Group. Follow-up actions are taken by the Group to recover overdue debts if any. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed bills is insignificant. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentration of credit risk as 43%, 28%, 43% and 41% and 91%, 81%, 85% and 86% of the total gross trade and bills receivables was due from the Group's largest customer and the five largest customers as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. There is no other significant concentration risk during the year.

Trade receivables and contract assets

For trade receivables and contract assets, the management of the Group assesses the collectability of the trade receivables and contract assets regularly and on a case-by-case basis for the determination of any loss allowance for the trade receivables and contract assets by taking into account the customers' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions.

Certain customers of the Group which has a significant outstanding trade receivables and contract assets balances due to the Group with gross carrying amount of RMB336,838,000, RMB334,850,000, RMB326,729,000 and RMB322,721,000 in aggregate as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, was assessed for allowance for credit losses individually. The management assessed for the allowance for credit losses for lifetime by estimating default rate taking into account historical and forward looking information. As at December 31, 2019, 2020 and 2021 and June 30, 2022, allowance for expected credit losses of RMB64,095,000, RMB135,020,000, RMB294,236,000 and RMB294,479,000, respectively, was made on the trade receivables and contract assets due from these customers. During the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022, impairment losses on trade receivables and contract assets due from these customers amounted to RMB62,172,000, RMB70,925,000, RMB159,216,000 and RMB243,000, respectively are provided and included in the consolidated profit or loss. In this regard, the directors of the Company are in the opinion that the provision of loss allowance is sufficient and not excessive.

For the remaining debtors, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL, as the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments and the allowance for credit losses based on the past due status is not further distinguished between the Group's customer bases.

The following table provides information about the Group's exposure to credit risk within lifetime ECL for trade receivables and contract assets due from customers other than the abovementioned individually evaluated customers, which are assessed based on provision matrix as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively:

	As at December 31, 2019				As at December 31, 2020				As at December 31, 2021				As at June 30, 2022			
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*
Customers other than the individually evaluated customers:																
Less than 3 months (not yet past due)	4.00%	263,807	10,552	253,255	4.00%	457,595	18,303	439,292	4.00%	250,964	10,039	240,925	4.00%	194,371	7,775	186,596
Less than 1 year	4.00%	47,512	1,900	45,612	4.00%	57,667	2,307	55,360	4.00%	344,072	13,763	330,309	4.00%	470,395	18,816	451,579
1 to 2 years	6.00%	62,691	3,761	58,930	6.00%	158,477	9,509	148,968	6.00%	109,749	6,585	103,164	6.00%	95,426	5,726	89,700
2 to 3 years	29.00%	5,990	1,737	4,253	29.00%	35,433	10,275	25,158	29.00%	45,501	13,195	32,306	29.00%	6,665	1,933	4,732
3 to 4 years	50.03%	1,879	940	939	50.17%	291	146	145	50.00%	12,733	6,367	6,366	50.00%	17,685	8,843	8,842
Over 4 years	0.00%	—	—	—	100.00%	1,879	1,879	—	100.00%	2,170	2,170	—	100.00%	2,537	2,537	—
Balance as at	4.95%	381,879	18,890	362,989	5.96%	711,342	42,419	668,923	6.81%	765,189	52,119	713,070	6.73%	787,079	45,630	741,449

Note: The management of the Group determined the ECL rates for portfolio of trade receivables and contract assets due from customers with reference to past-due status of such balances by estimating their default rates taking into account historical information (e.g. historical flow rate of receivables moving into the next aging bucket in the subsequent period, actual historical loss, etc.) and forward-looking information.

The management of the Group reviewed the portfolio of customers contributing the trade receivables and contract assets balances for the respective past-due time band throughout the Track Record Period and noted that the majority of the balances of the respective past-due time band were due from similar portfolio of customers. The management of the Group further assessed these customers' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions throughout the Track Record Period, and considered that the credit risk for the same portfolio of customers remains approximately the same throughout the Track Record Period. Accordingly, the same ECL rates were adopted for the same past-due time band (except for "3 to 4 years") throughout the Track Record Period.

Movements in the allowance for expected credit losses in respect of the remaining trade receivables and contract assets during the track record period are as follows:

	Lifetime ECL (Not credit impaired)	Lifetime ECL (Credit impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2019	11,014	9,985	20,999
Impairment loss reversed	(462)	(1,647)	(2,109)
At December 31, 2019 and January 1, 2020	10,552	8,338	18,890
Impairment loss recognized	7,751	15,778	23,529
At December 31, 2020 and January 1, 2021	18,303	24,116	42,419
Impairment loss (reversed)/recognized	(8,264)	17,964	9,700
At December 31, 2021 and January 1, 2022	10,039	42,080	52,119
Impairment loss reversed	(2,264)	(4,225)	(6,489)
At June 30, 2022	7,775	37,855	45,630

Other receivables

The Group measures the loss allowance equal to 12-month ECL of other receivables. For those balances expected to have significant increase in credit risk since initial recognition, the Group apply lifetime ECL based on aging for classes with different credit risk characteristics and exposures. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Group has exposed to credit risk on other receivables. As part of the Group's credit risk management, the Group assessed the expected credit losses for other receivables (mainly represented amount due from an associate and other individually immaterial receivables) of RMB1,672,000, RMB1,700,000, RMB8,131,000 and RMB2,954,000 were recognized in profit or loss for the years ended December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The management of the Group considers the probability of default based on the financial position of the debtors and the economic environment of the debtors operate. The credit risk on the remaining balances are insignificant as the probability of default is considered minimal after assessing the counterparties' financial background and creditability.

Movement in the loss allowance account in respect of other receivables during the track record period is as follows:

	RMB'000
At January 1, 2019	185
Impairment loss reversed	(98)
Impairment loss recognized	1,672
At December 31, 2019 and January 1, 2020	1,759
Impairment loss reversed	(232)
Impairment loss recognized	1,700
At December 31, 2020 and January 1, 2021	3,227
Impairment loss recognized	8,131
At December 31, 2021 and January 1, 2022	11,358
Impairment loss recognized	2,954
At June 30, 2022	14,312

Restricted and pledged bank deposits and bank balances

Credit risk on restricted and pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies or state-owned banks in the PRC.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate	On demand and/or less than 1 year	1 to 3 years	Total contractual undiscounted cash flow	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2019					
Trade and bills payables	—	205,977	—	205,977	205,977
Other payables	—	115,960	—	115,960	115,960
Bank borrowings	5.32%	109,087	—	109,087	105,000
Lease liabilities	4.75%–6.75%	11,879	3,717	15,596	14,574
		442,903	3,717	446,620	441,511
At December 31, 2020					
Trade and bills payables	—	261,581	—	261,581	261,581
Other payables	—	73,211	—	73,211	73,211
Bank borrowings	4.08%	153,896	20,556	174,452	170,382
Lease liabilities	4.75%–6.75%	7,048	8,455	15,503	14,644
		495,736	29,011	524,747	519,818
At December 31, 2021					
Trade and bills payables	—	313,345	—	313,345	313,345
Other payables	—	138,499	—	138,499	138,499
Bank borrowings	3.85%	120,519	—	120,519	117,825
Lease liabilities	4.75%	7,275	3,664	10,939	10,448
		579,638	3,664	583,302	580,117
At June 30, 2022					
Trade and bills payables	—	319,860	—	319,860	319,860
Other payables	—	137,735	—	137,735	137,735
Bank borrowings	4.71%	168,032	20,768	188,800	184,873
Lease liabilities	4.75%	5,565	1,360	6,925	6,401
		631,192	22,128	653,320	648,869

(c) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes the borrowings and lease liabilities disclosed in Notes 32 and 33 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the maturity of lease liabilities as well as new share issues and increase of banking facilities or redemption of existing debt.

(d) Fair value measurements of financial instruments

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values at the end of each reporting period based on discounted cash flow analysis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Level 3
	RMB'000
At December 31, 2019	
Equity instruments at FVTOCI	62,109
At December 31, 2020	
Equity instruments at FVTOCI	62,109
Financial assets at FVTPL	50,000
	112,109
At December 31, 2021	
Equity instruments at FVTOCI	170,900
Financial assets at FVTPL	224,970
	395,870
At June 30, 2022	
Equity instruments at FVTOCI	218,800
Financial assets at FVTPL	376,882
	595,682

The following table presents the changes in level 3 instruments of financial assets at FVTOCI and FVTPL as at December 31, 2019, 2020 and 2021 and June 30, 2022.

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
FVTOCI ***(Note (i))***				
At the beginning of the year/period	62,109	62,109	62,109	170,900
Changes in fair value	—	—	108,791	47,900
At the end of the year/period	62,109	62,109	170,900	218,800
FVTPL ***(Note (ii))***				
At the beginning of the year/period	—	—	50,000	224,970
Transfer from associates *(Note 20(b))*	—	—	2,800	—
Additions	—	188,500	672,000	737,000
Disposals	—	(139,020)	(503,238)	(590,726)
Total gains	—	520	3,408	5,638
At the end of the year/period	—	50,000	224,970	376,882
	62,109	112,109	395,870	595,682

Notes:

(i) The fair values of equity instruments at FVTOCI as at December 31, 2019, 2020 and 2021 and June 30, 2022 have been arrived at on the basis of a valuation carried out on the dates by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected to the Group, using Guideline Public Company Method under market approach.

	RMB'000	Valuation Techniques	Key unobservable input(s)		Relationship of unobservable inputs to fair values
			Price-to-book value ("P/B")	Discount for lack of marketability ("DLOM")	
Financial assets					
Unlisted equity instruments at FVTOCI — Hozonauto					
At December 31, 2019	62,109	Guideline Public Company Method	3.36	30%	An increase in P/B used would result in an increase in the fair value measurement of the unlisted equity instruments, and vice versa.
At December 31, 2020	62,109	Guideline Public Company Method	5.75	30%	An increase in DLOM used would result in a decrease in the fair value measurement of the unlisted equity instruments, and vice versa.
At December 31, 2021	170,900	Guideline Public Company Method	6.04	30%	
At June 30, 2022	218,800	Guideline Public Company Method	5.43	30%	

(ii) The fair values of unlisted equity instruments at FVTPL as at December 31, 2021 have been arrived at on the basis of a valuation carried out on the dates by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected to the Group, using Guideline Public Company Method under market approach.

	RMB'000	Valuation Techniques	Key unobservable input(s)		Relationship of unobservable inputs to fair values
			Price-to-earnings ratio ("P/E")	Discount for lack of marketability ("DLOM")	
Financial assets					
Unlisted equity instruments at FVTPL					
— TL Chemical					
At December 31, 2021	2,800	Guideline Public Company Method	25.41	30%	An increase in P/E used would result in an increase in the fair value measurement of the unlisted equity instruments, and vice versa. An increase in DLOM used would result in a decrease in the fair value measurement of the unlisted equity instruments, and vice versa.
At June 30, 2022	2,800	Guideline Public Company Method	25.41	30%	

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the fair value of financial assets at FVTPL amounting to RMBNil, RMB50,000,000, RMB222,170,000 and RMB374,082,000, respectively, is determined by the spot rate quoted by the issuer of the financial products. These wealth management products are structured fixed deposits with financial institutions with maturities within one year. Details are disclosed in Note 23(b).

If the fair values of the equity instruments at FVTOCI held by the Group had been 10% higher/lower, the other comprehensive income for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022 would have been approximately RMB5,279,000, RMB5,279,000, RMB14,527,000 and RMB18,598,000, higher/lower, respectively.

If the fair values of the financial assets at FVTPL held by the Group had been 10% higher/lower, the profit/(loss) before taxation for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022 would have been approximately RMBNil, RMB5,000,000, RMB22,497,000 and RMB37,688,000, higher/lower respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022.

40. RECONCILIATION OF LIABILITIES GENERATED FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities:

	Bank borrowings and other payables *(note)*	**Lease liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2019	71,111	21,138	92,249
Net financing cash flows	29,857	(17,497)	12,360
Non-cash transactions			
Finance cost recognized	4,202	5,493	9,695
New leases entered	—	5,440	5,440
At December 31, 2019 and January 1, 2020	105,170	14,574	119,744
Net financing cash flows	57,679	(17,570)	40,109
Non-cash transactions			
Finance cost recognized	7,738	1,213	8,951
New leases entered	—	16,427	16,427
At December 31, 2020 and January 1, 2021	170,587	14,644	185,231
Net financing cash flows	(57,881)	(8,576)	(66,457)
Non-cash transactions			
Finance cost recognized	5,253	599	5,852
New leases entered	—	3,781	3,781
At December 31, 2021 and January 1, 2022	117,959	10,448	128,407
Net financing cash flows	63,882	(4,260)	59,622
Non-cash transactions			
Finance cost recognized	3,206	213	3,419
At June 30, 2022	185,047	6,401	191,448

Note: Interest bearing bank borrowings and other payables consist of interest payables and interest-bearing bank borrowings as disclosed in notes 30 and 32.

41. RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Name and relationship with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the Track Record Period.

Name of related parties	Relationship with the Group
水木興創(北京)科技發展有限公司 Shuimu Xingchuang (Beijing) Technology Development Co., Ltd. ("**Shuimu Xingchuang**")	Ms. Teng Renjie, an non-executive director of the Company, is also a director of a parent of the entity.
上海方時新能源汽車租賃有限公司 Shanghai Fangshi New Energy Car Rental Co., Ltd. ("**Shanghai Fangshi**")	Ms. Song Haiying, a director of the Company, is also a director of the entity.
北京水木華通科技有限公司 Beijing Shuimu Huatong Science and Technology Co., Ltd. ("**Shuimu Huatong**")	Mr. Zhang was a director of the entity as of May 2019, and the entity ceased to be a related company of the Group since May 2020.
北京清能華通科技發展有限公司 Beijing Qingneng Huatong Technology Development Co., Ltd. ("**Beijing Qingneng Huatong**")	Ms. Teng Renjie, a director of the Company, is also a director of the entity.
北京博瑞華通科技有限公司 Beijing Boruihuaton Technology Co., Ltd. ("**Beijing Boruihuaton**")	An indirectly held associate owned by Mr. Zhang and Ms. Song Haiying, directors of the Company as of May 2019, and the entity ceased to be a related company of the Group since May 2020.
北京海珀爾氫能科技有限公司 Beijing Haiper Hydrogen Technology Co., Ltd. ("**Haiper Hydrogen**")	Mr. Zhang was a director of the entity as of February 2019, and the entity ceased to be a related company of the Group since February 2020.
Shanghai Maximfuelcell	Associate
億氫科技(北京)有限公司 Yihydrogen Technology (Beijing) Co., Ltd. ("**Yihydrogen Technology**")	Subsidiary of an associate
United Fuel Cell	Associate
Zhangjiakou Haiper	Associate
Toyota Sinohytech	Joint venture

(b) Significant related party transactions

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from sales of products and provision of services				
Shanghai Maximfuelcell	145	150	35	441
Shanghai Fangshi	1,130	377	—	—
United Fuel Cell	—	1,068	11,044	4,105
Toyota Sinohytec	—	—	3,476	5,459
	1,275	1,595	14,555	10,005
Interest income from				
Zhangjiakou Haiper	1,437	1,883	1,878	954
Purchase				
Shanghai Maximfuelcell	90	16,206	1,902	293
Beijing Boruihuaton	13,585	—	—	—
Toyota Sinohytec	—	—	23,730	87
Yihydrogen Technology	—	—	—	2,372
	13,675	16,206	25,632	2,752
Other service fee and expenses paid				
Beijing Boruihuaton	472	922	—	—
Haiper Hydrogen	2,680	515	—	—
Beijing Qingneng Huatong	170	219	273	86
Zhangjiakou Haiper	—	—	767	870
Shuimu Xingchuang	—	—	—	1,493
	3,322	1,656	1,040	2,449

(c) Significant balances with related parties

As disclosed in the consolidated statements of financial position, the Group had outstanding balances with related parties at December 31, 2019, 2020 and 2021 and June 30, 2022 as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables from *(Note (i))*				
United Fuel Cell	—	1,193	1,379	3,643
Toyota Sinohytec	—	—	2,661	7,976
	—	1,193	4,040	11,619
Prepayment to *(Note (i))*				
Beijing Qingneng Huatong	—	49	41	63
Other receivables from				
Zhangjiakou Haiper *(Note (ii))*	32,826	33,128	27,050	18,782
Trade and bills payable to *(Note (i))*				
Shanghai Maximfuelcell	39	8,148	3,756	2,484
Shuimu Huatong	530	530	—	—
Beijing Boruihuaton	5,010	897	—	—
Toyota Sinohytec	—	—	26,750	9,397
Yihydrogen Technology	—	—	—	1,941
Shuimu Xingchuang	—	—	—	301
	5,579	9,575	30,506	14,123
Other payables to *(Note (i))*				
Beijing Qingneng Huatong	62	—	—	—
Shanghai Fangshi	43	—	—	—
Shanghai Maximfuelcell	—	29	79	25
Toyota Sinohytec	—	—	—	12,102
	105	29	79	12,127
Contract liabilities from *(Note (i))*				
Shanghai Fangshi	333	—	—	—
Shanghai Maximfuelcell	—	220	607	188
	333	220	607	188

Notes:

(i) The balances with related parties and an associate are trade in nature, unsecured, interest-free and repayable on demand.

(ii) The amount represented loans granted to Zhangjiakou Haiper to support its purchase of equipment and land use right, and construction of its plant in Zhangjiakou. The balances are non-trade in nature, unsecured, interest-bearing at 6%, 6%, 6% and 6% per annum as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, and will be fully repaid on or before December 31, 2023, which is expected to be settled after the Listing. With reference to legal opinion from the PRC legal advisor of the Company, the directors of the Company are of the opinion that the arrangement leading to the amount due from an associate was in compliance with the PRC laws and regulations. As at December 31, 2019, 2020 and 2021 and June 30, 2022, expected credit loss recognized for the amount due from Zhangjiakou Haiper were RMB1,508,000, RMB3,202,000, RMB11,271,000 and RMB14,312,000 respectively. Increasing expected credit loss recognized for loans provided by the Company to Zhangjiakou Haiper was due to the increase in credit risk considering the renewal of the loan without full settlement upon maturity and the prolonged outstanding balance during the Track Record Period.

(iii) As disclosed in Note 32 to the Historical Financial Information, Mr. and Mrs. Zhang provided personal guarantees to banks in respect of the Group's and the Company's bank borrowings as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Those personal guarantees were released upon the full settlement of such borrowings according to the repayment terms.

(d) Key management personnel compensations

The compensations paid or payable to key management personnel (including chief executive officer, directors of the Company and other senior executives of the Group) for employee services are show below:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wages, salaries and bonuses	4,576	5,432	7,956	2,497	2,854
Retirement benefit expense	295	22	419	202	217
Social security costs, housing benefits and other employee benefits	407	354	449	231	228
	5,278	5,808	8,824	2,930	3,299

42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of entities	Proportion of ownership interests and voting rights held by non-controlling interests				Loss allocated to non-controlling interests				Accumulated non-controlling interests			
	At December 31,			At June 30,	At December 31,			At June 30,	At December 31,			At June 30,
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
					RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shanghai SinoFuelCell *(Note (i))*	68.12%	67.97%	74.40%	74.40%	(6,619)	(9,245)	(39,015)	(21,774)	83,151	139,886	390,237	368,463
Individually immaterial subsidiaries with non-controlling interests *(Note (ii))*									8,135	7,524	—	—
									91,286	147,410	390,237	368,463

Notes:

(i) In December 2021, pursuant to capital injection agreements entered into between the Company, Shanghai SinoFuelCell, Shanghai Shenjie and five independent third-party investors separately, the five independent third-party investors agreed to contribute cash of RMB384,000,000 in aggregate to acquire 20.06% equity interests in aggregate in Shanghai SinoFuelCell. These transactions are completed on December 31, 2021. Upon the completion of these transactions, the percentage of equity interests of Shanghai SinoFuelCell owned by the non-controlling shareholders increased to 74.40%.

(ii) During the year ended December 31, 2021, the Company entered into contractual agreement with the non-controlling shareholder to acquire the 2.88% of the equity interest in SinoHytec Power at a cash consideration of RMB14,603,000. Upon the completion of the acquisition, the Company holds 100% equity interest in SinoHytec Power.

Summarized financial information in respect of Shanghai SinoFuelCell is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	187,466	216,282	604,297	568,067
Non-current assets	144,991	180,944	219,536	234,137
Current liabilities	(172,679)	(144,246)	(226,351)	(236,115)
Non-current liabilities	(16,477)	(23,555)	(40,000)	(41,271)

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	200,872	138,858	151,174	112,141
Total expense	(201,426)	(155,056)	(218,392)	(141,075)
Profit/(loss) and total comprehensive income/(expenses) for the year/period	2,286	(4,877)	(55,954)	(32,663)
Net cash flows used in operating activities	(26,759)	(44,374)	(76,028)	(148,979)
Net cash flows (used in)/generated from investing activities	(28,026)	(12,458)	(261,427)	88,496
Net cash flows generated from financing activities	56,250	60,162	399,843	2,755
Net increase/(decrease) in cash and cash equivalents	1,465	3,330	62,388	(57,728)

43. DEEMED DISPOSAL OF A SUBSIDIARY

As disclosed in Note 20, upon the capital injection from the new investors, the Group lost control of Zhangjiakou Haiper during the year ended December 31, 2019. The net assets of Zhangjiakou Haiper as at the date of deemed disposal are as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment *(Note 17)*	101,589
Right-of-use assets *(Note 18)*	10,922
Inventory	199
Prepayments, deposits and other receivables	37,332
Bank balances and cash	15,191
Trade and bills payables	(32,149)
Other payables and accruals	(35,092)
Tax payable	(1,879)
Deferred income *(Note 34)*	(6,000)
	90,113
Gain on deemed disposal:	
Net assets disposed of	(90,113)
Non-controlling interests (67.23%)	79,341
Share of capital reserve	2,126
Fair value of the equity interest in Zhangjiakou Haiper held by the Group as interest in an associate (32.77%)	72,105
	63,459
Net cash outflow arising on deemed disposal:	
Bank balances and cash disposed of	(15,191)

44. SUBSEQUENT EVENT

There were no significant events after June 30, 2022 and up to date of this report.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2021.

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大華馬施雲會計師事務所有限公司

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of Beijing Sinohytec Co., Ltd.
(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial information of Beijing Sinohytec Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages IA-3 to IA-30, which comprises the condensed consolidated statement of financial position as of September 30, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the nine-month period then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial information set out in Note 2.1 to these condensed consolidated financial information. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2.1 to these condensed consolidated financial information.

Restriction on Distribution and Use

The unaudited condensed consolidated financial information are prepared solely for the purpose of inclusion of certain financial information to be incorporated in the prospectus of the Company dated December 29, 2022 in connection with the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the unaudited condensed consolidated financial information may not be suitable for another purpose. Our report is intended solely for the Company and should not be distributed to or used by parties other than the Company without our prior written consent. We do not assume responsibility towards or accept liability to any other person for the contents of this report. All duties and liabilities (including, without limitation, those arising from negligence or otherwise) to any third party are specifically disclaimed. As explained in our engagement letter governing this engagement, the Contracts (Rights of Third Parties) Ordinance does not apply, and only the signing parties to the engagement letter have any rights under it.

Yours faithfully,

Moore Stephens CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, December 29, 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

	Notes	Nine months ended September 30, 2022	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	3	390,607	373,487
Cost of sales		(231,602)	(261,092)
Gross profit		159,005	112,395
Other income, gains and losses	4	5,776	24,303
Selling and distribution expenses		(46,718)	(42,119)
Administrative expenses		(136,075)	(74,578)
Research and development expenses		(85,924)	(58,888)
Reversal of impairment losses/(impairment losses) on financial assets	5	697	(62,740)
Finance costs	6	(5,191)	(4,364)
Share of results of associates		(6,767)	(6,710)
Share of results of a joint venture		(11,296)	(2,194)
Listing expenses		(11,145)	—
LOSS BEFORE TAXATION	8	(137,638)	(114,895)
Income tax credit	9	21,993	22,094
LOSS FOR THE PERIOD		(115,645)	(92,801)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss:			
Fair value changes in equity instruments at fair value through other comprehensive income, net of income tax		2,210	65,018
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(113,435)	(27,783)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(85,635)	(66,936)
Non-controlling interests		(30,010)	(25,865)
		(115,645)	(92,801)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(83,425)	(1,918)
Non-controlling interests		(30,010)	(25,865)
		(113,435)	(27,783)
LOSS PER SHARE	11		
Basic *(RMB)*		(0.86)	(0.68)
Diluted *(RMB)*		(0.86)	(0.68)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT SEPTEMBER 30, 2022

	Notes	September 30, 2022 *RMB'000* (Unaudited)	December 31, 2021 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	514,694	449,373
Right-of-use assets	12	44,771	38,638
Intangible assets	12	242,321	205,074
Interests in associates		192,941	190,982
Interest in a joint venture		116,886	128,183
Equity instruments at fair value through other comprehensive income		173,500	170,900
Financial assets at fair value through profit or loss		2,800	2,800
Deferred tax assets	21	89,157	70,550
Prepayments, deposits and other receivables	15	49,936	32,537
Total non-current assets		1,427,006	1,289,037
CURRENT ASSETS			
Inventories	13	385,524	260,360
Trade and bills receivables	14	868,988	844,369
Contract assets		33,752	25,785
Prepayments, deposits and other receivables	15	137,864	107,686
Financial assets at fair value through profit or loss		89,658	222,170
Restricted and pledged bank deposits	16	23,406	51,318
Cash and cash equivalents		706,804	804,967
Total current assets		2,245,996	2,316,655
CURRENT LIABILITIES			
Trade and bills payables	17	381,348	313,345
Other payables and accruals	18	106,025	116,125
Contract liabilities		14,151	5,772
Tax payable		146	2,020
Bank borrowings — amount due within one year	19	173,734	117,825
Lease liabilities		7,340	6,931
Total current liabilities		682,744	562,018
NET CURRENT ASSETS		1,563,252	1,754,637
TOTAL ASSETS LESS CURRENT LIABILITIES		2,990,258	3,043,674

	Notes	September 30, 2022	December 31, 2021
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Bank borrowings — amount due after one year	19	19,600	—
Deferred income	20	116,974	112,268
Deferred tax liabilities	21	3,138	6,356
Other payables and accruals	18	32,659	28,651
Lease liabilities		9,056	3,517
Total non-current liabilities		181,427	150,792
Net assets		2,808,831	2,892,882
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22	99,891	71,351
Reserves		2,309,103	2,431,294
Total equity attributable to owners of the parent		2,408,994	2,502,645
Non-controlling interests		399,837	390,237
Total equity		2,808,831	2,892,882

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Other reserve	Statutory surplus reserve	Fair value reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)	*(Note 22)*									
At January 1, 2022	71,351	2,246,386	123,519	24	9,216	92,473	(40,324)	2,502,645	390,237	2,892,882
Loss for the period	—	—	—	—	—	—	(85,635)	(85,635)	(30,010)	(115,645)
Other comprehensive income for the period, net of income tax	—	—	—	—	—	2,210	—	2,210	—	2,210
Total comprehensive income/(expense) for the period	—	—	—	—	—	2,210	(85,635)	(83,425)	(30,010)	(113,435)
Appropriation to statutory reserves	—	—	—	—	49	—	(49)	—	—	—
Appropriation to maintenance and production funds	—	—	—	290	—	—	(290)	—	—	—
Utilization of maintenance and production funds	—	—	—	(40)	—	—	40	—	—	—
Contribution from non-controlling interest shareholders	—	—	(10,226)	—	—	—	—	(10,226)	39,610	29,384
Issue by capitalization of capital reserve *(Note 22(b))*	28,540	(28,540)	—	—	—	—	—	—	—	—
At September 30, 2022	99,891	2,217,846	113,293	274	9,265	94,683	(126,258)	2,408,994	399,837	2,808,831
At January 1, 2021	70,500	2,052,003	35,964	—	9,216	—	106,045	2,273,728	147,410	2,421,138
Loss for the period	—	—	—	—	—	—	(66,936)	(66,936)	(25,865)	(92,801)
Other comprehensive income for the period, net of income tax	—	—	—	—	—	65,018	—	65,018	—	65,018
Total comprehensive income/(expense) for the period	—	—	—	—	—	65,018	(66,936)	(1,918)	(25,865)	(27,783)
Appropriation to maintenance and production funds	—	—	—	42	—	—	—	42	—	42
Placement of shares *(Note 22(a))*	851	194,383	—	—	—	—	—	195,234	—	195,234
Acquisition of equity interest from non-controlling interests	—	—	(7,125)	—	—	—	—	(7,125)	(7,476)	(14,601)
At September 30, 2021	71,351	2,246,386	28,839	42	9,216	65,018	39,109	2,495,961	114,069	2,574,030

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

	Notes	Nine months ended September 30, 2022	Nine months ended September 30, 2021
		RMB'000 (Unaudited)	*RMB'000* (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(137,638)	(114,895)
Adjustments for:			
Amortization of deferred income	20	(8,326)	(10,506)
Interest income	4	(16,792)	(15,615)
Finance costs	6	5,191	4,364
Share of results of associates		6,767	6,710
Share of results of a joint venture		11,297	2,194
Losses on disposal of property, plant and equipment	4	523	1,029
Gain on deemed disposals of interests in associates		(8,726)	(3,824)
Depreciation of property, plant and equipment	8	39,778	23,079
Depreciation of right-of-use assets	8	7,916	6,190
Amortization of intangible assets	8	19,532	5,246
Write down of inventories	4	37,159	15,797
(Reversal of impairment losses)/impairment losses on financial assets	5	(697)	62,740
Provision of warranty		5,552	5,153
Foreign exchange losses, net	4	27	1
Operating cash outflow before movements in working capital		(38,437)	(12,337)
Increase in inventories		(162,323)	(107,295)
Increase in trade and bills receivables		(22,231)	(81,506)
Increase in contract assets		(8,155)	(3,701)
Increase in prepayments, deposits and other receivables		(29,254)	(73,466)
Increase in trade and bills payables		68,003	96,484
(Decrease)/increase in other payables and accruals		(12,790)	81,489
Increase in contract liabilities		8,379	13,899
Increase in deferred income		13,032	15,372
Cash used in operations		(183,776)	(71,061)
Income tax paid		(2,096)	(8,978)
Net cash used in operating activities		(185,872)	(80,039)

	Notes	Nine months ended September 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment	12	(125,229)	(108,206)
Payments for purchases of intangible assets	12	(56,779)	(59,842)
Payments for purchase of wealth management products classified as financial assets at fair value through profit or loss		(817,000)	(150,000)
Proceeds from disposal of wealth management products classified as financial assets at fair value through profit or loss		956,487	51,215
Proceeds from disposal of property, plant and equipment		2,199	—
Decrease in restricted and pledged bank deposits		27,912	70,228
Bank interest received		8,545	12,383
Increase in fixed bank deposits		—	(160,000)
Capital contribution to a joint venture		—	(132,913)
Investments in associates		—	(49,000)
Net cash used in investing activities		(3,865)	(526,135)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(4,833)	(3,955)
Proceeds from bank borrowings		178,354	64,000
Repayment of bank borrowings		(102,845)	(112,382)
Contribution from non-controlling interest *(Note)*		29,384	—
Payment for principal portion of lease liabilities		(8,101)	(5,276)
Payment for interest portion of lease liabilities		(358)	(478)
Proceeds from issue of shares		—	195,234
Acquisition of non-controlling interest		—	(14,601)
Net cash from financing activities		91,601	122,542
NET DECREASE IN CASH AND CASH EQUIVALENTS		(98,136)	(483,632)
Cash and cash equivalents at beginning of the period		804,967	965,929
Effect of foreign exchange rate changes, net		(27)	(1)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTING BANK BALANCES AND CASH		706,804	482,296

Note: During the nine months ended September 30, 2022, one of the non-controlling shareholders of a subsidiary of the Company contributed RMB29,384,000 to the subsidiary. After that, the Group recognized an increase in non-controlling interests of approximately RMB39,610,000 and a decrease in equity attributable to owners of the Company of approximately RMB10,226,000.

II. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Beijing Sinohytec Co., Ltd. (the "**Company**") is a joint stock company with limited liability established in the People's Republic of China (hereafter, the "**PRC**") on July 12, 2012. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and the Company's shares were listed on the Shanghai Stock Exchange (stock code: 688339.SH) on August 10, 2020. The registered address of the office of the Company is Room C701, 7/F Block C, Building B-6, Dongsheng Technology Park, Zhongguancun, No. 66, Xixiaokou Road, Haidian District, Beijing.

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in designing, development and manufacturing of fuel cell systems, including fuel cell stacks, a key component of the system, for the commercial vehicle market.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the nine months ended September 30, 2022 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**"), and should be read in conjunction with the Group's financial information as set out in the accountants' report (the "**Accountants' Report**") included in Appendix I to the Company's prospectus dated December 29, 2022 in connection with the initial public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The interim condensed consolidated financial information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Accountants' Report.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2022 for the preparation of the Group's condensed consolidated financial information:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial information.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") assesses the performance of the operating segment mainly based on the measure of operating loss, excluding items which are not directly related to the segment performance. These include non-operating income/(expenses) such as government subsidies and other non-operating items. The CODM reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as the CODM determines that the Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at September 30, 2022 and 2021, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

Revenue during the interim period are as follows:

	Nine months ended September 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers under IFRS 15		
Sales of fuel cell systems	365,999	328,543
Sales of fuel cell components	7,849	17,429
Provision of technology development services	12,402	17,438
Others	4,357	10,077
	390,607	373,487
Timing of revenue recognition		
At a point in time	390,607	373,487

The major customers which contributed more than 10% of the total revenue for the nine months ended September 30, 2022 and 2021 are listed as below:

	Nine months ended September 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	183,317	256,815
Customer B *(Note (a))*	82,166	N/A
Customer C *(Note (a))*	48,230	N/A
Customer D *(Note (b))*	N/A	41,515

Notes:

(a) The percentage of contribution is not applicable for Customer B and C as it contributed less than 10% of the total revenue for the nine months ended September 30, 2021.

(b) The percentage of contribution is not applicable for Customer D as it contributed less than 10% of the total revenue for the nine months ended September 30, 2022.

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	262,769	192,210
Over one year	4,784	5,373
	267,553	197,583

Seasonality of operations

The Group experiences higher sales of fuel cell systems and fuel cell components in the second half of the financial year as the Group generally deliver products in the second half of the year. As a result, revenue from sales of fuel cell systems and fuel cell components is usually lower during the first half of the financial year.

4. OTHER INCOME, GAINS AND LOSSES

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income on		
— Bank deposit	8,545	12,383
— Financial assets at fair value through profit or loss ("**FVTPL**")	6,975	1,827
— Amount due from an associate	1,272	1,405
Government grants*	21,599	20,744
	38,391	36,359
Other gains and losses		
Foreign exchange losses, net	(27)	(1)
Donation	(410)	(384)
Gain on deemed disposals of interests in associates	8,726	3,824
Losses on disposal of property, plant and equipment	(523)	(1,029)
Write down of inventories	(37,159)	(15,797)
Others	(3,222)	1,331
	(32,615)	(12,056)
	5,776	24,303

* *Included in the amount are government grants received by the Group amounting to RMB13,273,000 and RMB10,238,000 for the nine months ended September 30, 2022 and 2021, respectively, representing tax refunds, operating subsidies and various industry-specific subsidies granted by the government authorities to reward the Group's effort for technological innovation with no future related costs to be incurred. There are no unfulfilled conditions relating to such government subsidies recognized.*

5. (REVERSAL OF IMPAIRMENT LOSSES)/IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Nine months ended September 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Reversal of impairment losses)/impairment losses recognized on:		
— trade receivables	(2,388)	55,680
— bills receivables	—	(84)
— contract assets	188	788
— other receivables	1,503	6,356
	(697)	62,740

Details of impairment assessment are set out in Note 24.

6. FINANCE COSTS

	Nine months ended September 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
— bank borrowings	4,833	3,878
— lease liabilities	358	486
	5,191	4,364

7. EMPLOYEE BENEFIT EXPENSE

	Nine months ended September 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Wages, salaries and bonuses	105,656	49,002
Retirement benefit expense	18,999	8,849
Social security costs, housing benefits and other employee benefits	30,155	16,798
	154,810	74,649

The increase in employee benefit expense for the nine months ended September 30, 2022 compared to that for the nine months ended September 30, 2021 was mainly caused by the increase in number of employees of the Group and increase in bonuses provision for the nine months ended September 30, 2022.

8. LOSS BEFORE TAXATION

Loss before taxation has been carried at after charging:

	Nine months ended September 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Auditor's remuneration		
— non-audit services	—	57
— Listing expense for listing on The Stock Exchange	2,236	—
	2,236	57
Cost of inventories sold	219,351	249,629
Depreciation of property, plant and equipment	39,778	23,079
Depreciation of right-of-use assets	7,916	6,190
Amortization of intangible assets	19,532	5,246
Short-term lease payments	3,820	917

9. INCOME TAX CREDIT

	Nine months ended September 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
Current tax	(217)	(2,309)
(Under)/over-provision in prior years	(5)	3,636
	(222)	1,327
Deferred taxation *(Note 21)*	22,215	20,767
	21,993	22,094

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% unless these subject to tax exemption set out below.

The Company was accredited as a "High and New Technology Enterprise" in 2016 which was subsequently renewed in 2019, and therefore the Company was entitled to a preferential income tax rate of 15% and 15% for the nine months ended September 30, 2022 and 2021, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Shanghai SinoFuelCell Co., Ltd. ("**Shanghai SinoFuelCell**") was accredited as a "High and New Technology Enterprise" in 2014 which was subsequently renewed in 2017 and 2020, and therefore Shanghai SinoFuelCell was entitled to a preferential income tax rate of 15% and 15% for the nine months ended September 30, 2022 and 2021, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

SinoHytec Power Technology Co., Ltd. ("**SinoHytec Power**") was accredited as a "High and New Technology Enterprise" in 2018 which was subsequently renewed in 2021, and therefore SinoHytec Power was entitled to a preferential income tax rate of 15% and 15% for the nine months ended September 30, 2022 and 2021, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Chengdu Guoqinghuatong Technology Co., Ltd. ("**Chengdu Guoqinghuatong**") and Chengdu SinoHytec Power Technology Co., Ltd. ("**Chengdu SinoHytec**") were accredited as a "Encouraged Industrial Enterprises in the Western Region" in 2020, and therefore Chengdu Guoqinghuatong and Chengdu SinoHytec were entitled to a preferential income tax rate of 15% and 15% for the nine months ended September 30, 2022 and 2021, respectively. This qualification will be expired in 2030.

10. DIVIDENDS

No dividend was declared or paid by the Company in respect of the interim period.

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company for the interim period is based on the following data:

	Nine months ended September 30,	
	2022	**2021**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(85,635)	(66,936)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	99,891	99,005

The weighted average number of ordinary shares outstanding during the nine months ended September 30, 2021 have been adjusted for the effect of capitalization of capital reserve and the new shares were issued to the shareholders on June 6, 2022.

The Group had no potentially dilutive ordinary shares in issue during the interim period.

12. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the nine months ended September 30, 2022, the additions of property, plant and equipment and intangible assets of the Group amounted to RMB107,821,000 (nine months ended September 30, 2021: RMB106,688,000), and RMB56,779,000 (nine months ended September 30, 2021: RMB59,842,000), respectively.

During the nine months ended September 30, 2022, the Group entered into several new lease agreements with lease terms ranged from 3 to 5 years (nine months ended September 30, 2021: 1 to 3 years). The Group is required to make fixed monthly payments. On lease commencement, the Group recognized right-of-use assets of RMB14,049,000 (nine months ended September 30, 2021: RMB3,831,000) and lease liabilities of RMB13,914,000 (nine months ended September 30, 2021: RMB3,782,000).

13. INVENTORIES

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials and consumables	120,919	89,955
Work in progress	68,111	62,333
Finished goods	196,494	108,072
	385,524	260,360

The write-down of inventories of approximately RMB37,159,000 are recognized for the nine months ended September 30, 2022 (nine months ended September 30, 2021: RMB15,797,000).

14. TRADE AND BILLS RECEIVABLES

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	1,153,836	1,058,849
Bills receivables	51,835	124,590
Less: Allowance for expected credit losses	(336,683)	(339,070)
	868,988	844,369

The Group's trading terms with its customers are mainly on credit. The credit period is generally from one month to three months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

The following is an aged analysis of trade and bills receivables net of allowance for expected credit losses presented based on revenue recognition date.

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	248,789	349,635
90 to 180 days	188,683	230,493
180 days to 1 year	340,341	110,504
1 year to 2 years	54,285	90,748
Over 2 years	36,890	62,989
	868,988	844,369

As at September 30, 2022, the Group continued to recognized the full carrying amounts of bills receivables endorsed to certain of its suppliers in order to settle the trade payables due to such suppliers amounting to RMB13,712,000 (December 31, 2021: RMB17,880,000), since the Group has not transferred the significant risks and rewards relating to these receivables. The relevant payables are accounted for as "endorsed bills" under "other payables and accruals". All bills received by the Group are with a maturity period of less than one year.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current assets		
Prepayment for purchase of property, plant and equipment	49,246	30,692
Others	690	1,845
	49,936	32,537
Current assets		
Prepayments *(Note)*	31,522	18,413
Deposits and other receivables	12,547	6,171
Value Added Tax ("**VAT**") recoverables	73,454	56,011
Amount due from an associate *(Note 26(c)(ii))*	17,040	27,050
Prepayment to a related company *(Note 26(c)(i))*	53	41
Prepaid listing expenses for listing on the Stock Exchange	3,248	—
	137,864	107,686
	187,800	140,223

Note: As at September 30, 2022 and December 31, 2021, the prepayments of the Group mainly represent prepayments for raw materials, utilities and software expense which will be utilized within 12 months from the end of the reporting period.

16. RESTRICTED AND PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Pledged bank deposits amounting to RMB19,680,000 as at September 30, 2022 (December 31, 2021: RMB47,592,000), have been pledged to secure bills payables and are therefore classified as current assets. Restricted bank deposits amounting to RMB3,726,000 as at September 30, 2022 (December 31, 2021: RMB3,726,000), have been frozen by the PRC court pending the outcome of the legal proceedings initiated by the Group's creditor relating to certain sales or purchases contracts.

17. TRADE AND BILLS PAYABLES

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bills payable	72,012	83,268
Trade payables	309,336	230,077
	381,348	313,345

The following is an aged analysis of trade and bills payables as at September 30, 2022 and December 31, 2021, presented based on the invoice date.

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	170,760	221,791
90 to 180 days	113,118	57,218
180 days to 1 year	75,278	19,040
1 year to 2 years	16,083	10,117
Over 2 years	6,109	5,179
	381,348	313,345

The trade payables are non-interest-bearing and are normally settled on terms of 90 days.

The bills payable are guaranteed by banks in the PRC and have maturities of 3 to 6 months.

18. OTHER PAYABLES AND ACCRUALS

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current		
Warranty provision	32,659	28,651
Current		
Accrued social security costs	1,715	1,220
Accrued service expenses	617	3,795
Amount due to an associate *(Note 26(c)(i))*	25	79
Endorsed bills	13,712	17,880
Interest payable	186	134
Salary payable	33,183	36,692
Payable of purchase of property, plant and equipment	34,457	33,311
Other tax payables	1,725	3,105
Accrued listing expenses for listing on the Stock Exchange	8,811	9,259
Others	11,594	10,650
	106,025	116,125
	138,684	144,776

19. BANK BORROWINGS

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate borrowings		
Secured	10,000	20,000
Unsecured	183,334	97,825
	193,334	117,825
The carrying amounts of the above borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	173,734	117,825
Within a period of more than one year but not exceeding two years	19,600	—
	193,334	117,825
Less: Amounts due within one year shown under current liabilities	(173,734)	(117,825)
Amounts shown under non-current liabilities	19,600	—

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are 3.00% to 4.00% per annum and 3.75% to 4.00% per annum as at September 30, 2022 and December 31, 2021, respectively.

As at September 30, 2022 and December 31, 2021, these bank loans were pledged by certain plants and buildings with an aggregate carrying amount of RMB53,686,000 and RMB55,697,000, respectively.

Bank borrowings of the Group of RMB18,000,000 were guaranteed by Mr. Zhang and Ms. Xu Huini ("**Mrs. Zhang**"), the spouse of Mr. Zhang as at December 31, 2021. The guarantees were subsequently released when the bank borrowings were fully repaid.

Bank borrowings of the Group of RMB44,000,000 were guaranteed by Mr. Zhang as at December 31, 2021. The guarantees were subsequently released when the bank borrowings were fully repaid.

20. DEFERRED INCOME

	RMB'000
At January 1, 2022	112,268
Addition during the period	13,032
Recognized in condensed consolidated statement of profit or loss	(8,326)
At September 30, 2022 (Unaudited)	116,974
At January 1, 2021	95,883
Addition during the period	15,408
Refund during the period	(36)
Recognized in condensed consolidated statement of profit or loss	(10,506)
At September 30, 2021 (Unaudited)	100,749

Deferred income mainly represents the PRC local government grants received from relevant PRC authorities for compensate the Group's development costs and fixed asset investments. Government grants received for compensate for the Group's development costs which has not yet been undertaken are included in deferred income and recognized as income on a systematic basis of over the periods that the cost, which it is intended to compensate, are expensed. Government grants received relates to assets invested in laboratory equipment and plant were credited to deferred income and are recognized as income over the expected useful lives of the relevant assets.

21. DEFERRED TAX

The following are the Group's major deferred tax assets/(liabilities) recognized and movements thereon during the interim period:

	Impairment of assets	Warranty provision	Unrealized profits from intercompany transactions	Tax losses	Deferred income	Government grant	Accelerated tax depreciation	Fair value adjustments of property, plant and equipment	Fair value adjustments of financial assets at FVTPL/OCI	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	63,441	4,290	5,063	10,654	5,668	—	(3,809)	(2,838)	(18,275)	64,194
Credited/(charged) to profit or loss	4,802	1,077	1,327	14,820	(117)	—	349	105	(148)	22,215
Credited to other comprehensive income ("**OCI**")	—	—	—	—	—	—	—	—	(390)	(390)
At September 30, 2022 (Unaudited)	68,243	5,367	6,390	25,474	5,551	—	(3,460)	(2,733)	(18,813)	86,019
At January 1, 2021	32,299	2,978	3,016	4,239	—	3,462	—	(2,979)	(1,816)	41,199
Credited/(charged) to profit or loss	10,331	607	1,987	7,885	4,439	(3,462)	—	(928)	(92)	20,767
Charged to other comprehensive income	—	—	—	—	—	—	—	—	(11,473)	(11,473)
At September 30, 2021 (Unaudited)	42,630	3,585	5,003	12,124	4,439	—	—	(3,907)	(13,381)	50,493

For the purpose of presentation in the interim financial information, certain deferred tax assets and liabilities have been offset. The following is the analysis of the net deferred tax balances for financial reporting purposes:

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net deferred tax assets	89,157	70,550
Net deferred tax liabilities	(3,138)	(6,356)
	86,019	64,194

As at September 30, 2022 and December 31, 2021, the Group has unused tax losses of RMB278,339,000 and RMB126,795,000, respectively available for offset against future profits. A deferred tax asset has been recognized in respect of RMB169,825,000 and RMB71,030,000 as at September 30, 2022 and December 31, 2021, respectively of such losses. No deferred tax asset has been recognized in respect of the remaining RMB108,514,000 and RMB55,765,000 as at September 30, 2022 and December 31, 2021, respectively due to the unpredictability of future profit streams. The tax losses can be carried forward against future taxable income, and will be expired between 2022 and 2026 under PRC tax regulations.

22. SHARE CAPITAL

The Company

	Number of shares	Amount
		RMB'000
Registered, issued and fully paid ordinary shares with par value of RMB1.00 each share		
At January 1, 2021	70,500,000	70,500
Placement of shares *(Note (a))*	850,991	851
At December 31, 2021 and January 1, 2022	71,350,991	71,351
Issue by capitalization of capital reserve *(Note (b))*	28,540,396	28,540
At September 30, 2022	99,891,387	99,891

Notes:

(a) In July 2021, the registered share capital of the Company was increased from RMB70,500,000 to RMB71,351,000 by way of private placement, where a total number of 850,991 shares were subscribed at RMB235.02 per share by 4 placees not related to the controlling shareholder of the Company. Upon the completion of private placement, net proceeds of RMB195,234,000 was raised by the Company. The share capital of the Company increased by RMB851,000 and the share premium of the Company increased by RMB194,383,000.

(b) Pursuant to the approval of by the board of directors of the Company on May 6, 2022 and the approval of the Company's shareholders at the annual general meeting of the Company on May 20, 2022, the Company issued four capitalization shares to all shareholders for every ten shares by way of capitalization of capital reserve (the "**Capitalization Issue**"). As such, based on the total number of issued shares of the Company of 71,350,991 shares as at June 1, 2022, the total number of capitalization shares under the Capitalization Issue was 28,540,396 shares. The new shares were listed on the Shanghai Stock Exchange on June 6, 2022.

23. CAPITAL COMMITMENTS

	As at September 30, 2022	As at December 31, 2021
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Capital expenditure in respect of acquisition of property and equipment, intangible assets and associates contracted for but not provided in the interim financial information	128,936	133,038

24. CREDIT RISK AND IMPAIRMENT ASSESSMENT OF FINANCIAL ASSETS

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed consolidated statement of financial position.

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bills receivables, contract assets, other receivables, restricted and pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimize the credit risk, the management of the Group assesses the potential customer's credit quality and defines credit limits by customer and the credit limits assigned to each customer is regularly reviewed by the management of the Group. Follow-up actions are taken by the Group to recover overdue debts if any. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed bills is insignificant. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentration of credit risk as 38% and 83% of the total gross trade and bills receivables was due from the Group's largest customer and the five largest customers as at September 30, 2022 (December 31, 2021: 43% and 85%), respectively. There is no other significant concentration risk during the period/year.

Trade receivables and contract assets

For trade receivables and contract assets, the management of the Group assesses the collectability of the trade receivables and contract assets regularly and on a case-by-case basis for the determination of any loss allowance for the trade receivables and contract assets by taking into account the customers' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions.

Certain customers of the Group which has a significant outstanding trade receivables and contract assets balances due to the Group with gross carrying amount of RMB322,721,000 and RMB326,729,000 in aggregate as at September 30, 2022 and December 31, 2021, respectively, was assessed for allowance for credit losses individually. The management assessed for the allowance for credit losses for lifetime by estimating default rate taking into account historical and forward looking information. As at September 30, 2022 and December 31, 2021, allowance for expected credit losses of RMB294,479,000 and RMB294,236,000, respectively, was made on the trade receivables and contract assets due from these customers. During the nine months ended September 30, 2022, impairment losses on trade receivables and contract assets due from these customers amounted to RMB243,000 (during the year ended December 31, 2021: impairment losses recognized of RMB159,216,000) are provided and included in the condensed consolidated profit or loss. In this regard, the directors of the Company are in the opinion that the provision of loss allowance is sufficient and not excessive.

For the remaining debtors, the Group has applied the simplified approach in IFRS 9 "Financial Instrument" to measure the loss allowance at lifetime expected credit loss ("**ECL**"), as the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments and the allowance for credit losses based on the past due status is not further distinguished between the Group's customer bases.

The following table provides information about the Group's exposure to credit risk within lifetime ECL for trade receivables and contract assets due from customers other than the abovementioned individually evaluated customers, which are assessed based on provision matrix as at September 30, 2022 and December 31, 2021, respectively:

	As at September 30, 2022				As at December 31, 2021			
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)				(Audited)		
Customers other than the individually evaluated customers:								
Less than 3 months (not yet past due)	4.00%	240,975	9,638	231,337	4.00%	250,964	10,039	240,925
Less than 1 year	4.00%	529,217	21,169	508,048	4.00%	344,072	13,763	330,309
1 to 2 years	6.00%	71,733	4,304	67,429	6.00%	109,749	6,585	103,164
2 to 3 years	29.00%	9,102	2,640	6,462	29.00%	45,501	13,195	32,306
3 to 4 years	50.00%	18,775	9,388	9,387	50.00%	12,733	6,367	6,366
Over 4 years	100.00%	2,537	2,537	—	100.00%	2,170	2,170	—
Balance as at	5.69%	872,339	49,676	822,663	6.81%	765,189	52,119	713,070

Movements in the allowance for expected credit losses in respect of the remaining trade receivables and contract assets during the interim period are as follows:

	Lifetime ECL (Not credit impaired)	Lifetime ECL (Credit impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2021	18,303	24,116	42,419
Impairment loss (reversed)/recognized	(8,264)	17,964	9,700
At December 31, 2021	10,039	42,080	52,119
Impairment loss reversed	(401)	(2,042)	(2,443)
At September 30, 2022 (Unaudited)	9,638	40,038	49,676

Other receivables

The Group measures the loss allowance equal to 12-month ECL of other receivables. For those balances expected to have significant increase in credit risk since initial recognition, the Group apply lifetime ECL based on aging for classes with different credit risk characteristics and exposures. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

As at September 30, 2022 and December 31, 2021, the Group has exposed to credit risk on other receivables. As part of the Group's credit risk management, the Group assessed the expected credit losses for other receivables (mainly represented amount due from an associate and other individually immaterial receivables) of RMB1,503,000 and RMB8,131,000 were recognized in profit or loss for the nine months ended September 30, 2022 and for the year ended December 31, 2021, respectively. The management of the Group considers the probability of default based on the financial position of the debtors and the economic environment of the debtors operate. The credit risk on the remaining balances are insignificant as the probability of default is considered minimal after assessing the counterparties' financial background and creditability.

Movement in the loss allowance account in respect of other receivables during the nine months ended September 30, 2022 and year ended December 31, 2021 is as follows:

	RMB'000
At January 1, 2021	3,227
Impairment loss recognized	8,131
At December 31, 2021	11,358
Impairment loss recognized	1,503
At September 30, 2022 (Unaudited)	12,861

Restricted and pledged bank deposits and bank balances

Credit risk on restricted and pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies or state-owned banks in the PRC.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the interim financial information approximate their fair values at the end of each reporting period based on discounted cash flow analysis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Level 3
	RMB'000
At September 30, 2022 (Unaudited)	
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	173,500
Financial assets at FVTPL	92,458
	265,958
At December 31, 2021 (Audited)	
Equity instruments at FVTOCI	170,900
Financial assets at FVTPL	224,970
	395,870

The following table presents the changes in level 3 instruments of financial assets at FVTOCI and FVTPL as at September 30, 2022 and December 31, 2021.

	As at September 30, 2022	As at December 31, 2021
	RMB'000 (Unaudited)	*RMB'000* (Audited)
FVTOCI ***(Note (i))***		
At the beginning of the period/year	170,900	62,109
Changes in fair value	2,600	108,791
At the end of the period/year	173,500	170,900
FVTPL ***(Note (ii))***		
At the beginning of the period/year	224,970	50,000
Transfer from associates	—	2,800
Additions	817,000	672,000
Disposals	(956,487)	(503,238)
Total gains	6,975	3,408
At the end of the period/year	92,458	224,970
	265,958	395,870

Notes:

(i) The fair value of equity instruments at FVTOCI as at December 31, 2021 had been arrived at on the basis of a valuation carried out on the dates by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected to the Group, using Guideline Public Company Method under market approach. The fair value of equity instruments at FVTOCI as at September 30, 2022 has been arrived at based on the assessment performed by the management of the Group.

	RMB'000	Valuation Techniques	Key unobservable input(s)		Relationship of unobservable inputs to fair values
			Price-to-book value ("P/B")	Discount for lack of marketability ("DLOM")	
Financial assets					
Unlisted equity instruments at FVTOCI					
At September 30, 2022	173,500	Guideline Public Company Method	5.43	30%	An increase in P/B used would result in an increase in the fair value measurement of the unlisted equity instruments, and vice versa. An increase in DLOM used would result in a decrease in the fair value measurement of the unlisted equity instruments, and vice versa.
At December 31, 2021	170,900	Guideline Public Company Method	6.04	30%	

(ii) The fair value of unlisted equity instruments at FVTPL as at December 31, 2021 had been arrived at on the basis of a valuation carried out on the date by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected to the Group, using Guideline Public Company Method under market approach. The fair value of unlisted equity instruments at FVTPL as at September 30, 2022 has been arrived at based on the assessment performed by the management of the Group.

	RMB'000	Valuation Techniques	Key unobservable input(s)		Relationship of unobservable inputs to fair values
			Price-to-earnings ratio ("P/E")	Discount for lack of marketability ("DLOM")	
Financial assets					
Unlisted equity instruments at FVTPL					
— Shanghai TL Chemical Co., Ltd					
At September 30, 2022	2,800	Guideline Public Company Method	25.41	30%	An increase in P/E used would result in an increase in the fair value measurement of the unlisted equity instruments, and vice versa. An increase in DLOM used would result in a decrease in the fair value measurement of the unlisted equity instruments, and vice versa.
At December 31, 2021	2,800	Guideline Public Company Method	25.41	30%	

As at September 30, 2022 and December 31, 2021, the fair value of financial assets at FVTPL amounting to RMB89,658,000 and RMB222,170,000 respectively, is determined by the spot rate quoted by the issuer of the financial products. These wealth management products are structured fixed deposits with financial institutions with maturities within one year.

If the fair values of the equity instruments at FVTOCI held by the Group had been 10% higher/lower, the other comprehensive income for the nine months ended September 30, 2022 and year ended December 31, 2021 would have been approximately RMB14,748,000 and RMB14,527,000, higher/lower, respectively.

If the fair values of the financial assets at FVTPL held by the Group had been 10% higher/lower, the loss before taxation for the nine months ended September 30, 2022 and year ended December 31, 2021 would have been approximately RMB9,246,000 and RMB22,497,000, higher/lower respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the nine months ended September 30, 2022 and year ended December 31, 2021.

26. RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related parties during the nine months ended September 30, 2022 and 2021 and year ended December 31, 2021. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Name and relationship with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the nine months ended September 30, 2022 and 2021 and year ended December 31, 2021.

Name of related parties	Relationship with the Group
水木興創(北京)科技發展有限公司 Shuimu Xingchuang (Beijing) Technology Development Co., Ltd. ("**Shuimu Xingchuang**")	Ms. Teng Renjie, an non-executive director of the Company, is also a director of a parent of the entity.
上海方時新能源汽車租賃有限公司 Shanghai Fangshi New Energy Car Rental Co., Ltd. ("**Shanghai Fangshi**")	Ms. Song Haiying, a director of the Company, is also a director of the entity.
北京水木華通科技有限公司 Beijing Shuimu Huatong Science and Technology Co., Ltd. ("**Shuimu Huatong**")	Mr. Zhang was a director of the entity as of May 2019, and the entity ceased to be a related company of the Group since May 2020.
北京清能華通科技發展有限公司 Beijing Qingneng Huatong Technology Development Co., Ltd. ("**Beijing Qingneng Huatong**")	Ms. Teng Renjie, a director of the Company, is also a director of the entity.
北京博瑞華通科技有限公司 Beijing Boruihuaton Technology Co., Ltd. ("**Beijing Boruihuaton**")	An indirectly held associate owned by Mr. Zhang and Ms. Song Haiying, directors of the Company as of May 2019, and the entity ceased to be a related company of the Group since May 2020.
北京海珀爾氫能科技有限公司 Beijing Haiper Hydrogen Technology Co., Ltd. ("**Haiper Hydrogen**")	Mr. Zhang was a director of the entity as of February 2019, and the entity ceased to be a related company of the Group since February 2020.
上海億氫科技有限公司 Shanghai Maximfuelcell Technology Co., Ltd. ("**Shanghai Maximfuelcell**")	Associate
聯合燃料電池系統研發(北京)有限公司 United Fuel Cell System R&D (Beijing) Co., Ltd. ("**United Fuel Cell**")	Associate
億氫科技(北京)有限公司 Yihydrogen Technology (Beijing) Co., Ltd. ("**Yihydrogen Technology**")	Subsidiary of an associate
張家口海珀爾新能源科技有限公司 Zhangjiakou Haiper New Energy Technology Co., Ltd. ("**Zhangjiakou Haiper**")	Associate
華豐燃料電池有限公司 Toyota Sinohytec Fuel Cell Co., Ltd. ("**Toyota Sinohytech**")	Joint venture

(b) Significant related party transactions

	Nine months ended September 30,	
	2022	**2021**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from sales of products and provision of services		
Shanghai Maximfuelcell	441	—
United Fuel Cell	6,125	4,788
Toyota Sinohytec	7,979	—
	14,545	4,788
Interest income from		
Zhangjiakou Haiper	1,272	1,405
Purchase		
Shanghai Maximfuelcell	2,191	4,074
Toyota Sinohytec	12,094	—
Yihydrogen Technology	2,572	—
	16,857	4,074
Other service fee and expenses paid		
Beijing Qingneng Huatong	148	150
Zhangjiakou Haiper	4,175	767
Shuimu Xingchuang	2,564	—
	6,887	917

(c) Significant balances with related parties

As disclosed in the condensed consolidated statement of financial position, the Group had outstanding balances with related parties at September 30, 2022 and December 31, 2021 as follows:

	As at September 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills receivables from *(Note (i))*		
United Fuel Cell	2,030	1,379
Toyota Sinohytec	9,851	2,661
	11,881	4,040
Prepayment to *(Note (i))*		
Beijing Qingneng Huatong	53	41
Other receivables from		
Zhangjiakou Haiper *(Note (ii))*	17,040	27,050
Trade and bills payable to *(Note (i))*		
Shanghai Maximfuelcell	2,372	3,756
Toyota Sinohytec	10,083	26,750
Shuimu Xingchuang	293	—
Yihydrogen Technology	2,380	—
	15,128	30,506
Other payables to *(Note (i))*		
Shanghai Maximfuelcell	25	79
Contract liabilities from *(Note (i))*		
Shanghai Maximfuelcell	188	607

Notes:

(i) The balances with related parties and an associate are trade in nature, unsecured, interest-free and repayable on demand.

(ii) The amount represented loans granted to Zhangjiakou Haiper to support its purchase of equipment and construction of its plant in Zhangjiakou. The balances are non-trade in nature, unsecured, interest-bearing at 6% and 6% per annum as at September 30, 2022 and December 31, 2021, respectively, and will be fully repaid on or before December 31, 2023, which is expected to be settled after the Listing. With reference to legal opinion from the PRC legal advisor of the Company, the directors of the Company are of the opinion that the arrangement leading to the amount due from an associate was in compliance with the PRC laws and regulations. As at September 30, 2022 and December 31, 2021, expected credit loss recognized for the amount due from Zhangjiakou Haiper were RMB12,712,000 and RMB11,271,000 respectively.

(iii) As disclosed in Note 19 to the interim condensed consolidated financial information, Mr. and Mrs. Zhang provided personal guarantees to banks in respect of the Group's and the Company's bank borrowings as at December 31, 2021. Those personal guarantees were released upon the full settlement of such borrowings according to the repayment terms.

(d) Key management personnel compensations

The compensations paid or payable to key management personnel (including chief executive officer, directors of the Company and other senior executives of the Group) for employee services are show below:

	Nine months ended September 30,	
	2022	**2021**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Wages, salaries and bonuses	4,119	3,412
Retirement benefit expense	317	272
Social security costs, housing benefits and other employee benefits	332	299
	4,768	3,983

27. SUBSEQUENT EVENT

There were no significant events after September 30, 2022 and up to date of this report.

*The information set forth in this appendix does not form part of the Accountants' Report prepared by Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, nor the unaudited condensed consolidated financial information for the nine months ended September 30, 2022 (the "**Unaudited Interim Financial Information**") as set forth in Appendix I and Appendix IA to this prospectus, respectively, and is included herein for illustrative purposes only.*

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report and Unaudited Interim Financial Information set forth in Appendix I and Appendix IA to this prospectus, respectively.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of September 30, 2022 as if it had taken place on September 30, 2022.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of September 30, 2022 or any future dates. It is prepared based on our consolidated net tangible assets as of September 30, 2022 as set out in the Unaudited Interim Financial Information as set out in Appendix IA to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report and Unaudited Interim Financial Information as set out in Appendix I and Appendix IA, respectively, to this prospectus.

	Unaudited consolidated net tangible assets attributable to owners of the Company as of September 30, 2022	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HKD*
	(note 1)	*(note 2)*		*(note 3)*	*(note 4)*
Based on an Offer Price of HK$60.00 per Share	2,166,673	913,656	3,080,329	26.21	28.98
Based on an Offer Price of HK$76.00 per Share	2,166,673	1,161,123	3,327,796	28.32	31.31

Notes:

(1) The unaudited consolidated net tangible assets attributable to owners of the Company as of September 30, 2022 is extracted from "Appendix IA — Unaudited Interim Financial Information", which is based on the unaudited consolidated equity attributable to owners of the Company as of September 30, 2022 of approximately RMB2,408,994,000 less intangible assets as of September 30, 2022 of approximately RMB242,321,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$60.00 per Share or HK$76.00 per Share, after deduction of the underwriting fees and other related expenses payable by the Group and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.11 to RMB1 prevailing on December 5, 2022.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 117,519,387 Shares in issue immediately following the completion of the Global Offering and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.11 to RMB1 prevailing on December 5, 2022.

(5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to September 30, 2022.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this prospectus.

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大華馬施雲
會計師事務所有限公司

To the Directors of Beijing Sinohytec Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Beijing Sinohytec Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at September 30, 2022, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the prospectus dated December 29, 2022 issued by the Company, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in notes thereto.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at September 30, 2022 as if the transaction had taken place at September 30, 2022. As part of this process, information about the Group's financial position as at September 30, 2022 has been extracted by the Directors from the Group's historical financial information for the nine months ended September 30, 2022, on which a review report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") *7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at September 30, 2022 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Moore Stephens CPA Limited
Certified Public Accountants
Cheung Sai Kit
Practising Certificate Number: P05544
Hong Kong, December 29, 2022

TAXATION ON HOLDERS OF SECURITIES

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences resulting from the investment in H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation) that may have retrospective effect.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital gain and profit tax, business tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

THE PRC TAXATION

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), which was latest amended on August 31, 2018 and came into effect on January 1, 2019 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was latest amended on December 18, 2018 and came into effect on January 1, 2019 (collectively, the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Circular of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the amount which is over withheld will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Certain Policy Issues Concerning Individual Income Tax (Cai Shui Zi [1994] No. 20) (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]第20號)), dividends and bonus income received by foreign individuals from foreign-invested enterprises are exempted from individual income tax for the time being.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by the NPC on March 16, 2007 and last amended on December 29, 2018 and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (hereinafter collectively referred to as the "**EIT Law**"), a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC-Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H Shares for 2008 and subsequent years. In addition, the Response of the State Administration of Taxation to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B shares (Guo Shui Han [2009] No. 394) (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)) which became effective on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and subsequent years that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) issued on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-PRC-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into arrangements for the avoidance of double taxation with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC-resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer Income

Individual Investors

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to the income tax at a rate of 20%.

Pursuant to the Circular of Taxation Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(財稅字[1998]第61號)) issued by the MOF and the SAT on March 30, 1998, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax as of January 1, 1997. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended IIT Law.

However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》(財稅[2009]167號)), which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Circular on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (Cai Shui [2010] No. 70) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》(財稅[2010]70號)) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, none of the aforesaid provisions have expressly provided whether individual income tax shall be levied on non-PRC-resident individuals' on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to the best of our knowledge, in practice no income tax has been levied by the PRC tax authorities on non-PRC-resident individuals' transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if such non-resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected in reality with such establishments or premises. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to applicable treaties or agreements on avoidance of double taxation.

The PRC Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) which became effective on October 1, 1988 and amended on January 8, 2011, and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例實施細則》) which became effective from October 1, 1988, the PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and governed by the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the Latest Practicable Date, the PRC did not impose any estate duty.

Tax Policies for Shanghai-Hong Kong Stock Connect

Under the Announcement on Continued Implementation of Individual Income Tax Policies Relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and Mainland and Hong Kong Mutual Recognition of Funds (MOF Announcement [2019] No. 93) (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》(財政部公告2019年第93號)) which came into effect on December 5, 2019, from December 5, 2019 to December 31, 2022, gains on price difference from transfer of shares derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax. Under the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《財政部、國家稅務總局、中國證券監督管理委員會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) which came into effect on November 17, 2014, for dividends and bonus obtained by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as "**CSDCC**") for provision by CSDCC to the H-share companies register of mainland individual investors, and the H-share companies shall withhold individual income tax at the rate of 20%. Under the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證券監督管理委員會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) which came into effect on November 17, 2014, gains on price difference from transfer of shares derived by mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect are included in their total income and subject to enterprise income tax according to law. Enterprise income tax will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprises, the H-share companies will not withhold dividend and bonus income tax for mainland enterprises. The tax payable shall be declared and paid by the enterprises themselves.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the EIT Law, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites.

According to the Administrative Measures for Determination of High and New Tech Enterprises (Guo Ke Fa Huo [2016] No. 32) (《高新技術企業認定管理辦法》(國科發火[2016] 32 號)), which was implemented on January 1, 2016, an enterprise which is recognized as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the Enterprise Income Tax Law of the People's Republic of China, its implementation regulation and relevant PRC law. According to the Notice on Promoting Nationwide the Enterprise Income Tax Policies for Advanced Technology Service Enterprises Across the Country (Cai Shui [2017] No. 79) (《關於將技術先進型服務企業所得稅政策推廣至全國實施的通知》(財稅[2017]79號)) promulgated by the MOF, the SAT, the MOFCOM, the MOST and the NDRC on November 2, 2017, the enterprise income tax shall be levied on certified advanced technology service enterprises at a reduced tax rate of 15%, with effect from January 1, 2017 and across the country. The portion of the employee educational expenses of a certified advanced technology service enterprise not exceeding 8% of its total salaries and wages shall be allowed to be deducted in calculating its taxable income; and the excessive portion shall be allowed to be carried forward to the subsequent tax years for deduction. According to the Notice on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy (Cai Shui [2011] No. 58) (《關於深入實施西部大開發戰略有關稅收政策問題的通知》(財稅[2011]58號)), which was implemented on July 27, 2011, from January 1, 2011 to December 31, 2020, the enterprise income tax imposed upon any enterprise established in western regions in encouraged industries shall be levied at a reduced rate of 15%. According to the Announcement on Continuation of Enterprise Income Tax Policies for Western Development (Announcement [2020] No. 23 of the MOF, the STA and NDRC), which was implemented on January 1, 2022, from January 1, 2021 to December 31, 2030, the enterprise income tax shall be levied at a reduced tax rate of 15% in the western region in encouraged industries.

Value-Added Tax ("VAT")

Pursuant to the Interim Regulations on Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last revised on November 19, 2017 and the Detailed Rules for the Implementation of the Interim Regulations on Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993 and last revised on October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)), which was jointly issued by the MOF and the SAT on March 23, 2016, the countrywide pilot practice of levying value added tax in lieu of business tax has been carried out since May 1, 2016.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (《財政部、國家稅務總局關於調整增值稅稅率的通知》(財稅[2018]32號)) issued on April 4, 2018 and came into effect on May 1, 2018, a taxpayer who is previously subject to the rates of 17% and 11% respectively for VAT-taxable sales activities or imported goods shall have the applicable tax rates adjusted to 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (Announcement [2019] No. 39 of the MOF, SAT and the General Administration of Customs) (《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號)), promulgated by the MOF, the SAT and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9% respectively.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**") which became effective on April 1, 1996 and latest amended on August 5, 2008. The Foreign Exchange Control Regulations classify all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the state may adopt necessary safeguard and control measures on international revenues and expenditure.

On June 20, 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "**Settlement Regulations**"), which became effective on July 1, 1996. The Settlement Regulations does not impose any restrictions on convertibility of foreign exchange under current items, while imposing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Forming Mechanism (the PBOC Announcement [2005] No. 16) (《關於完善人民幣匯率形成機制改革的公告》(中國人民銀行公告[2005]第16號)) issued by the PBOC on July 21, 2005 and became effective on the same date, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. the RMB exchange rate was no longer pegged to the USD. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day to be the central parity rate of the currency against Renminbi transactions on the following working day.

Starting from January 4, 2006, the PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity rate of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trading Center to make inquiries with the market-makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity rate of the RMB against the USD on that day using the weighted average of the remaining market makers' offered quotations after excluding the highest and lowest quotations, and announce the central parity rate of the RMB against currencies such as the USD at 9:15 a.m. on each working day. On August 11, 2015, the PBOC announced to improve the central parity rate quotations of RMB against the USD by authorizing market-makers to provide central parity rate quotations to the China Foreign Exchange Trading Center before the interbank foreign exchange market opens every day with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On August 5, 2008, the State Council promulgated the revised Regulations for Foreign Exchange Control, which have made substantial changes to the foreign exchange supervision system of the PRC. Firstly, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; secondly, it has improved the RMB exchange rate regime based on market supply and demand; thirdly, it has enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the state may adopt necessary safeguard or control measures; fourthly, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for current account item transactions may, without the approval of the SAFE, effect payment from foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (《國務院關於取消和調整一批行政審批項目等事項的決定》(國發[2014]50號)), which canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE issued the Notice on Relevant Issues Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Administrative Policies over Foreign Exchange Settlement under Capital Accounts (Hui Fa [2016] No.16) (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》(匯發[2016]16號)) issued by the SAFE on June 9, 2016, foreign currency earnings in capital account on which the relevant policies of voluntary exchange settlement have been clearly implemented (including the repatriation of capital raised from overseas listing) may perform foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of voluntary foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment by the SAFE in due time in accordance with international balance of payments conditions.

On January 26, 2017, the Circular of the State Administration of Foreign Exchange Concerning Further Implementation of Foreign Exchange Administration Reforms to Improve Authentic Compliance Audit (Hui Fa [2017] No. 3) (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)) was issued by the SAFE to further expand the scope of foreign exchange settlement for domestic foreign exchange loans; allowing foreign exchange settlement for domestic foreign exchange loans with a background of export goods trading, allowing repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allowing settlement for domestic foreign exchange accounts of foreign institutions operating in the free trade pilot zones, implementing administration on comprehensive overseas lending in domestic and foreign currencies, where a domestic institution engages in overseas lending business, the maximum sum of the balance of overseas lending in domestic currency and the balance of overseas lending in foreign currency shall not exceed 30% of the owners' equity as set out in its audited financial statements of the preceding year.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see section entitled "Regulatory Overview" in this prospectus.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments and international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2015 revision) (《中華人民共和國立法法(2015年修訂)》) (the "**Legislation Law**"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher-level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The PRC Civil Procedure Law (2017 revision) (《中華人民共和國民事訴訟法(2017年修訂)》) (the "**Civil Procedure Law**"), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on October 26, 2018; The Standing Committee of the NPC announced on December 25, 2021 the Draft for Comment of the PRC Company Law, which may revise the PRC Company Law. As of the Latest Practicable Date, such draft for comment has not yet taken effect;

- The Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-Stock Limited Liability Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "**Special Regulations**") which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the Company Law in force at that time, and were applicable, to the overseas share subscription and listing of joint stock limited companies;

- The Mandatory Provisions of Articles of Association of Companies Listing Overseas (《到境外上市公司章程必備條款》) (the "**Mandatory Provisions**") which were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, stating the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix V — Summary of the Articles of Association" in this prospectus;

- On October 17, 2019, the State Council issued a circular in connection with the adjustments in regulations concerning companies registered in China and listed abroad (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) (Circular No. 97 of the State Council, effective October 17, 2019), pursuant to which it agreed that companies registered in China and listed abroad shall comply with the PRC Company Law with respect to the notice period, shareholders right to formulate proposals and the procedures for convening a general meeting, and that the relevant procedures set forth in Article 20 to Article 22 of the Special Regulations shall no longer apply; and

- On December 24 2021, the China Securities Regulatory Commission issued the Measures for the Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (Draft for Comments)* (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) and the Administrative Regulations of the State Council on Overseas Securities Issuance and Listing by Domestic Enterprises (Draft for Comment)* (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) ("**Draft for Comments on Overseas Listing**"), which stipulates the filing procedures and regulatory requirements for overseas issuance and listing of securities by domestic enterprises. According to the Draft for Comments on Overseas Listing, after it comes into effect, the Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-Stock Limited Liability Companies* (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the Notice on the Implementation of the "Mandatory Provisions of Articles of Association of Companies Listing Overseas"* (《關於執行〈到境外上市公司章程必備條款〉的通知》) and other regulations will be repealed. As of the Latest Practicable Date, the Draft for Comments on Overseas Listing has not yet taken effect.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, the Macau and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as Domestic Shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the China Securities Regulatory Commission (the "**CSRC**"). Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares." Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares." Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall also be in registered form.

Under the PRC Company Law, when the company issues share in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and

- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the PRC Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;

- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders (including proxies thereof) present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H shares are deemed to be shareholders of different classes.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to decide on the setup of the company's internal management organs;
- to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors, while according to the Opinions on Supplementary Amendment to Articles of Associations by Companies to be listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), a resolution of the board of supervisors shall be passed by more than two-thirds of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management; and
- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;

- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company.

Directors, supervisors and senior management are prohibited from:

- abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties;
- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, manager and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. The Special Regulations require that any dividend and other distribution to shareholders of overseas-listed foreign shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company's approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. According to Rule 2(6) of the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC (effective from January 1, 2013), the approval documents for overseas stock issuance and listing by the company granted by CSRC shall be valid for a period of 12 months.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Suspension and Termination of Listing

The PRC Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法》(2019年修訂)) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers by listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration center ("**HKIAC**") in accordance with its Securities Arbitration Rules (the "**Securities Arbitration Rules**"). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, based on an agreement of the parties, including disputes involving Hong Kong based on the agreement of the parties. The CIETAC is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin, Chongqing, Zhejiang, Hubei, Fujian, Shanxi, Jiangsu, Sichuan and Shandong.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong company law is primarily set out in the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance, supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, A Shares of the Company, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers.

There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our Controlling Shareholders to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix V — Summary of the Articles of Association".

Under the Companies Ordinance, no rights attached to any class of shares can be varied except:

(i) If there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions;

(ii) If there are no relevant provisions in the articles of associations, then (1) with the consent in writing of at least three-fourths of the total voting rights of holders of the shares in the class in question, or (2) with the approval of a special resolution of the holders of the relevant class at a separate meeting.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law.

For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in the case of any other meeting, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member.

Voting

Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years now and would be extended to three years according to PRC Civil Code (《中華人民共和國民法典》), promulgated on 28 May 2020 and to become effective on January 1, 2021. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the company, a holder of H shares and directors, supervisors, managers and other members of senior management of the company or a holder of H shares and a holder of domestic listed shares, arising from the articles of association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the company should, with certain exceptions, be referred to arbitration at either the HKIAC or the CIETAC, at the claimant's choice. Such arbitration is final and conclusive.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years now or three years beginning from January 1, 2021. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN THE HONG KONG LISTING RULES AND SHANGHAI STOCK EXCHANGE LISTING RULES

As our A Shares are listed on the Shanghai Stock Exchange, we are also subject to the Shanghai Stock Exchange Listing Rules. Set out below is a summary of the material differences between the Hong Kong Listing Rules and the Shanghai Stock Exchange Listing Rules:

Periodic financial reporting

There are material differences in financial reporting standards and practices regarding, for example, industry-specific financial reporting requirements, announcement of preliminary results, form and content of periodic financial reports and post-vetting of periodic financial reports.

Classification and disclosure requirements for notifiable transactions

The method of classification of notifiable transactions under the Hong Kong Listing Rules and the disclosure requirement pertaining to such transactions differ from those under the Shanghai Stock Exchange Listing Rules.

Connected transactions

The definition of a connected person under the Hong Kong Listing Rules and the definition of a related party under the Shanghai Stock Exchange Listing Rules are different. In addition, the disclosure and shareholder approval requirements for connected transactions under the Hong Kong Listing Rules and for related party transactions under the Shanghai Stock Exchange Listing Rules, as well as the respective exemptions are different.

Disclosure of inside information

The scope, timing and method of disclosure of inside information are different between the Hong Kong Listing Rules and Shanghai Stock Exchange Listing Rules.

This Appendix contains a summary of the Company's Articles of Association, the objective of which is to provide potential investors with an overview of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors.

The Articles of Association and relevant amendments thereto were adopted or ratified by the Shareholders in Shareholders' general meetings in accordance with applicable laws and regulations, including the PRC Company Law, the Securities Law of the PRC, the Special Regulations, the Mandatory Provisions, the Guidance on Articles of Association of Listed Company, the Hong Kong Listing Rules and other relevant regulations, and will become effective on the date that the Company's H Shares are listed on the Hong Kong Stock Exchange.

GENERAL PROVISIONS

The Articles of Association regulate our Company's organization and conduct guidance and is binding on our Company, the Shareholders, Directors, Supervisors and senior management. Subject to no violation of the relevant provisions of the Articles of Association, Shareholders may sue Shareholders; Shareholders may sue the Directors, Supervisors, General Manager and other senior management; Shareholders may sue our Company, and our Company may sue Shareholders, Directors, Supervisors, General Manager or other senior management.

The above said suing includes filing an action and applying for an arbitration with an arbitral institution.

Our Company may invest in other limited liability companies or joint stock limited companies, provided that except as otherwise provided by law, the liabilities of our Company to be invested in are limited to the amount of its capital contribution and our Company could not assume joint and several liability to the invested company.

SHARES

Issuance of Shares

The Company shall have ordinary shares at all times. Subject to approval from the authorized department of the State Council, the Company may create other classes of Shares as needed.

The Shares of the Company take the form of share certificates.

The Shares of the Company shall be issued in accordance with the principles of open, fairness and justice, and each share in the same class shall rank pari passu. For the same class of shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the shares shall pay the same price for each share.

Subject to approval by the securities regulatory authority of the State Council, the Company may issue shares to domestic investors and overseas investors.

For the purpose of the preceding paragraph, overseas investors shall refer to investors from foreign countries and Hong Kong, Macao or Taiwan region who subscribe for shares issued by our Company; domestic investors shall refer to investors within the territory of the PRC apart from above-mentioned region who subscribe for shares issued by our Company.

Where the Company has a proposal approved by the securities regulatory authority of the State Council for issuing overseas-listed foreign shares and domestic-listed domestic shares, the Board of the Company may implement arrangements to make separate issuance.

The Company may implement respectively its proposals for the separate issuance of overseas-listed foreign shares and domestic-listed domestic shares pursuant to the preceding paragraph within fifteen months as from the date of the approval by the securities regulatory authority of the State Council or within the period of validity of its approval documents.

Increase, Reduction and Repurchase of Shares

Increase of Shares

According to the operation and development needs of the Company, subject to the applicable laws and regulations, the Company may increase the registered capital by the following ways upon approval by separate resolution of the Shareholders' general meeting:

- public issuance of shares;
- non-public issuance of shares;
- allotment of new shares to existing shareholders;
- issuing of bonus shares to existing shareholders;
- capitalization of common reserve fund;
- other means stipulated by laws and administrative regulations or approved by the administrative department.

Issuance of new shares for the increase of capital by the Company shall follow the procedures specified by relevant laws, administrative regulations and the requirements of the securities regulatory department of the place where the Company's shares are listed upon the approval being obtained in accordance with the Articles of Association.

Reduction of Shares

The Company may reduce its registered capital. The reduction in the registered capital shall be made in accordance with the procedures set out in the PRC Company Law, other relevant regulations and the Articles of Association.

The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital.

The Company shall notify its creditors within ten days from the date of the Company's resolution to reduce registered capital being passed and shall publish an announcement in newspapers within thirty days from the date of such resolution being passed. A creditor has the right to require the Company to repay its debts or to provide a corresponding guarantee for such debts within thirty days from the date of receipt of the relevant notice or, in the case of a creditor who did not receive such notice, within forty-five days from the date of the announcement. The Company's registered capital shall not, after the reduction in the registered capital, be less than the minimum amount prescribed by law.

Repurchase of Shares

The Company shall not purchase its shares other than for one of the following purposes:

(a) reducing the Company's registered capital;

(b) merging with other companies holding our Shares;

(c) using the Shares as an employee stock ownership plan or equity incentive plan;

(d) purchasing its Shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a Shareholders' general meeting upon their request;

(e) use of shares for conversion of convertible corporate bonds issued by the Company;

(f) necessary for the Company to maintain its value and protect the interests of the shareholders; or

(g) other circumstances stipulated by laws, administrative regulations, departmental rules, and listing rules of the stock exchange of the place where the Company's Shares are listed.

The Company may repurchase its Shares in any of the following ways:

(i) making a general repurchase offer in the same proportion to all shareholders;

(ii) making a repurchase of shares through public trading on a stock exchange;

(iii) making a repurchase of shares by an agreement outside a stock exchange;

(iv) in other ways permitted by the laws, administrative regulations, departmental rules and the China Securities Regulatory Commission ("**CSRC**").

The Company may repurchase its Shares through open centralized trading or other ways recognized by laws, regulations and the CSRC. If the share purchase is made under any of the circumstances stipulated in (c), (e) or (f) aforementioned, it shall be conducted by way of open centralized trading.

An approval shall be obtained from the Shareholders' general meeting when the Company is to repurchase its own Shares under the circumstances (a) and (b) set out above. In case of the circumstances stipulated in (c), (e) and (f) above, a resolution of the Company's Board of Directors shall be passed by a two-thirds majority of Directors attending the meeting in accordance with the provisions of the Articles of Association or the Company's authorization.

After the Company has repurchased its own shares in accordance with the preceding provision, the shares so repurchased shall be canceled within ten days from the date of purchase (under the circumstances set out in (a)), or shall be transferred or canceled within six months (under the circumstances set out in (b) and (d)). The shares of the Company repurchased by the Company under the circumstances set out in (c), (e) and (f) above shall not exceed ten percent of the total issued shares of the Company, and shall be transferred or canceled within three years.

A prior approval shall be obtained from the Shareholders' general meeting in respect of any share repurchase by the Company through an off-market agreement instead of on a stock exchange in accordance with the provisions of Articles of Association. After the Shareholders' general meeting has given its approval in the same way, the Company may rescind or alter any contracts entered into in the said manner or waive any rights under such contracts. The contract to repurchase Shares as referred to in the preceding paragraph includes, but not limited to, an agreement to assume the obligation to repurchase or to acquire the right to repurchase Shares. The Company shall not assign a contract for repurchasing Shares or any of its rights thereunder.

Unless the Company is undergoing liquidation, it shall comply with the following requirements with respect to a repurchase of its issued Shares:

(a) for repurchases of Shares by the Company at their par value, payment shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose;

(b) where the Company repurchases its Shares at a premium to its par value, payment up to the par value shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose. Payment of the portion which is in excess of the par value shall be made as follows:

(i) if the Shares being repurchased are issued at par value, payment shall be made from the book balance of its distributable profits; or

(ii) if the Shares being repurchased are issued at a premium to its par value, payment shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose. However, the amount deducted from the proceeds of issuance of new Shares shall not exceed the aggregate amount of the premium received by the Company from the issuance of the Shares so repurchased, nor shall it exceed the amount in the Company's premium account or capital reserve fund account (including premium on the issue of new Shares) at the time of such repurchase;

(c) the Company shall make the following payments out of the Company's distributable profits:

(i) acquisition of the rights to repurchase its own Shares;

(ii) variation of any contracts for the repurchase of its Shares; or

(iii) release from its obligations under any repurchase contracts;

(d) after the aggregate par value of the canceled Shares is deducted from the Company's registered capital in accordance with the relevant provisions, the amount deducted from the distributable profits used for the repurchase of the Shares at par value shall be credited to the Company's premium account or capital reserve fund account.

Where laws, administrative regulations, departmental rules, and listing rules of the stock exchange of the place where the Company's Shares are listed have other provisions on the financial treatment involved in the foregoing share repurchase, those provisions shall prevail.

Transfer of Shares

Unless otherwise specified by laws, administrative regulations, departmental rules, and listing rules of the stock exchange of the place where the Company's Shares are listed, the Shares of the Company may be transferred freely without any lien attached. The transfer of H Shares shall be registered in the shares registrar in Hong Kong entrusted by the Company.

All fully paid H Shares may be freely transferred in accordance with the Company's Articles of Association. However, the Board of Directors may refuse to recognize any documents for the transfer of H Shares without stating any reasons unless the conditions stipulated below are met:

(a) transfer documents are only in relation to H Shares;

(b) the stamp duty (as stipulated by Hong Kong law) in relation to transfer documents has been duly paid;

(c) relevant share certificate(s) and any other evidence which the Board of Directors may reasonably require to show that the transferor has the right to transfer the Shares have been provided.

If the Board of Directors refuses to register the transfer of Shares, the Company shall give one copy of the notice to the transferor and the transferee to refuse the registration of the transfer within two months from the date of the formal application for transfer.

The shares of our Company holding by the founders thereof shall not be transferred within one year from the date of establishment of our Company. The Shares issued before the Company's public issuance of A Shares shall not be transferred within one year from the date on which the Company's A shares are listed for trading on the stock exchange.

The Directors, Supervisors and senior management of the Company shall notify the Company of their holding of Shares in the Company and changes of their holdings. The Shares transferrable by them during each year of their tenures shall not exceed 25% of their total holdings of the same class of Shares of the Company. The Shares in the Company held by them are not transferable within 1 year from the date on which the Company's Shares are listed for trading. The Shares in the Company held by them shall not be transferred within half year from their departure from the Company.

The key technicians of the Company shall not transfer the pre-IPO shares of the company in their possession within 12 months from the listing date of its shares or 6 months after their departure. The pre-IPO shares transferred by them each year during the 4 years upon the expiry of the lock-up period for the pre-IPO shares held by them shall not exceed 25 percent of the total pre-IPO shares held by them when the company was listed, and such percentage may be applied on a cumulative basis. The key technicians shall also be subject to any other provisions of laws or regulations regarding the transfer of shares by them.

Where the Shareholders holding five percent or more of the Company, Directors, Supervisors and senior management of the Company and sell or other securities of equity nature of the Company within a period of six months after the acquisition of the or other securities of equity nature of the Company, or repurchase shares or other securities of equity nature of the Company within six months after sales of the shares, any proceeds arising therefrom shall belong to the Company, and the Board of the Company shall withdraw such gains for the benefit of the Company. However, the six-month restriction shall not apply for a securities company that holds five percent or more of the Shares of the Company as a result of its underwriting of the untaken shares in an offer or other circumstances provided by CSRC.

Pledge of Shares

The Company shall not accept its Shares as the subject matter of a pledge.

Financial Assistance for Acquisition of the Company's shares

The Company or its subsidiaries, including the Company's affiliated companies shall not offer any financial assistance at any time by any means to persons who will or who intend to purchase the Company's Shares. The aforementioned purchasers include both persons who have directly or indirectly assumed obligations due to purchasing the Company's Shares. The Company and its subsidiaries shall not offer any financial assistance at any time by any means in order to reduce or relieve the obligations of the aforesaid obligors.

The acts listed below are not prohibited by the preceding paragraph:

(a) the financial assistance provided by the Company is either genuinely for the interests of the Company and the main purpose of the financial assistance is not to purchase Shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;

(b) the lawful distribution of the Company's properties in the form of dividends;

(c) the distribution of dividends in the form of shares;

(d) the reduction of registered capital, repurchase of Shares, and adjustment of shareholding structure, etc. in accordance with Articles of Association;

(e) the provision of a loan by the Company within its scope of business and in the ordinary course of business (provided that this does not lead to a reduction in the net assets of the Company or that if this causes a reduction, the financial assistance is taken from the Company's distributable profits);

(f) provision of funds by the Company for an employee shareholding scheme (provided that this does not lead to a reduction in the net assets of the Company or that if there causes a reduction, the financial assistance is taken from the Company's distributable profits).

"Financial assistance" referred to in the Articles of Association shall include, without limitation, the following means:

(a) financial assistance given as gifts;

(b) financial assistance given by way of guarantee (including the assumption of liability by the guarantor or the provision of properties by the guarantor to secure the performance of obligations by the obligor), indemnity (other than an indemnity in respect of the Company's own fault) or the release or waiver of any rights;

(c) the provision of loans or the entrance into any agreement under which the obligations of the Company are to be fulfilled prior to the performance of obligations by another party, and a change in the parties to, and the assignment of rights arising under such loans or agreement; or

(d) any other form of financial assistance given by the Company when the Company is insolvent, has no net assets, or under any other situations when its net assets would be reduced to a material extent.

The "obligations" referred to in the Articles of Association shall include the obligations of an obligor which have arisen from entering into an agreement or making an arrangement (regardless of whether such agreement or arrangement is enforceable, or whether such obligations are assumed by the obligor individually or jointly with any other person) or any obligations that arise out of changes made in any other way to the obligor's financial condition.

Register of Shareholders

Unless there is proof to the contrary, the register of Shareholders shall be sufficient evidence to the holding of the Shares of the Company by a Shareholder.

The Company shall have a Shareholders register to record the following matters:

(i) the name, address (domicile), occupation or nature of each Shareholder;

(ii) the class and number of Shares held by each Shareholder;

(iii) the amount paid or payable in respect to the Shares held by each Shareholder;

(iv) the serial numbers of the Shares held by each Shareholder;

(v) the date on which each Shareholder was registered as a Shareholder; and

(vi) the date on which each Shareholder ceased to be a Shareholder.

Subject to the Articles of Association and other applicable regulations, once the Shares of the Company are transferred, the name of the transferee shall be listed in the register of Shareholders as the holder of the said Shares.

The transfer documents and other documents related to the ownership of any Shares or that may affect the ownership of any Shares shall be registered at domestic and overseas-listed share transfer register agencies assigned by the Company and recorded in the register of Shareholders.

The Company may, in accordance with the understanding and agreements between the securities regulatory authority of the State Council and overseas securities regulatory authorities, maintain its register of Shareholders of overseas-listed foreign shares outside China and entrust an overseas agent to maintain such register. The original copy of the register of Shareholders of overseas-listed foreign shares listed on the Hong Kong Stock Exchange shall be maintained in Hong Kong. The register of Shareholders is opened for inspection by Shareholders.

The Company shall maintain a duplicate of the register of Shareholders of overseas-listed foreign shares at the Company's corporate domicile. The appointed overseas agent shall ensure the consistency between the original copy and the duplicate of the register of Shareholders of overseas-listed foreign shares at all times. If there is any inconsistency between the original copy and the duplicate of the register of Shareholders of overseas-listed foreign shares, the original copy shall prevail.

Our Company must keep a complete register of Shareholders. The register of Shareholders shall include the following:

(i) register of shareholders kept at our domicile other than those specified in (ii) and (iii) below;

(ii) register of the holders of our overseas listed foreign shares kept at the location of the stock exchange where such shares are listed; and

(iii) register of shareholders kept in other locations according to the decision of the Board of Directors as required for the listing of the shares.

Different parts of the Shareholders' register shall not overlap. The transfer of Shares registered in a certain part of the register of Shareholders shall not be registered elsewhere in the register of Shareholders as long as the shares remain registered.

Any alteration or rectification to any part of the register of Shareholders shall be made in accordance with the laws in the place where such part of the register of Shareholders is maintained.

If any person whose name appears in the register of Shareholders or requests to register his or her name (title) in the register of Shareholders loses his or her share certificates (that is, "original share certificates"), he or she may apply to our Company to reissue new share certificates for those shares. In the event a holder of domestic shares applies to our Company for a reissue after losing the share certificates, the matter shall be dealt with pursuant to related provisions of the Company Law. In the event a H share shareholder applies to our Company for a reissue after losing the share certificates, the matter may be dealt with pursuant to the laws, regulations, listing rules of the stock exchange where the original register of H share shareholder is kept, or other related provisions.

If a H shareholder loses share certificates and applies to our Company for a replacement issue, the share certificates shall be issued in compliance with the following requirements:

(i) the applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of share certificates, as well as a statement that nobody else may request to be registered as a shareholder with respect to the pertinent shares;

(ii) before coming to a decision to issue new share certificates, our Company has not received any statement in which any person other than the applicant requests to be registered as the shareholder with respect to the shares;

(iii) if our Company decides to issue new share certificates to the applicant, we shall publish an announcement in an eligible newspaper designated by the Board of Directors indicating that we plan to reissue new share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days;

(iv) before publishing the announcement indicating that we plan to reissue new share certificates, our Company shall submit a copy of the announcement to be published to the stock exchange on which the shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days. If the registered shareholders of the related shares do not approve the application for reissue of new share certificates, our Company shall mail the copy of the announcement to be repeatedly published to the Shareholders;

(v) in the event that nobody raises any objection to the reissue of new share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in (iii) and (iv) above, the new share certificates may be reissued according to the application made by the applicant;

(vi) when re-issuing new share certificates according to the Articles of Association, our Company shall immediately cancel the original share certificates and register the cancelation and replacement issue on the register of shareholders;

(vii) all expenses incurred by our Company from the cancelation of the original share certificates and replacement issue of the new share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Shareholders

A shareholder of the Company is a person who lawfully holds Shares of the Company and whose name is entered in the register of Shareholders. A shareholder shall enjoy rights and assume obligations according to the class and number of shares held by that shareholder. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Holders of the ordinary shares of the Company shall be entitled to the following rights:

- to receive dividends and other distributions in proportion to the shares they hold;
- to file a petition according to laws, to convene, hold and attend the Shareholders' general meetings either in person or by proxy and exercise their corresponding voting right;
- to supervise, present suggestions on or make inquiries about the business operations of the Company;
- to purchase, take the given shares or transfer, donate or pledge their shares in accordance with laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed and the Articles of Association;
- to obtain relevant information in accordance with the Articles of Association, including:

  1. receiving a copy of the Articles of Association after payment of cost;
  2. being entitled to inspect for free and copy after payment of reasonable fee:

     (1) all parts of the register of Shareholders;

     (2) personal data of Directors, Supervisors, General Manager and other senior management of the Company, including:

     (a) present and former name and alias;

     (b) principal address (domicile);

     (c) nationality;

     (d) primary and all other part-time occupations and duties;

     (e) identification documents and the number thereof;

     (3) report of the status of the Company's issued share capital;

(4) report of the total par value, quantity, the highest and lowest price of each class of shares repurchased by the Company from the last fiscal year and the total amount paid by the Company for this purpose (breakdown by domestic shares and foreign shares (H Share, if applicable));

(5) counterfoils of corporate bonds;

(6) minutes of Shareholders' general meetings (available for Shareholders' inspection only);

(7) special resolutions of the Company;

(8) resolutions of the Board meetings, resolutions of meetings of the Board of Supervisors (available for Shareholders' inspection only);

(9) the latest audited financial statements of the Company, and the reports of the Board, auditors and the Board of Supervisors;

(10) the financial and accounting reports; and

(11) a copy of the latest annual report filed with the Administration of Industry and Commerce or other competent authorities.

The Company shall make the documents in item (3), (4), (7), (9), (11) above and any other applicable documents available according to the requirements of the Hong Kong Listing Rules, at the website of Hong Kong Stock Exchange and the website of the Company, and the documents in item (1) and (6) above and any other applicable documents available according to the requirements of the Hong Kong Listing Rules, at the Company's address in Hong Kong, for the public and Shareholders to inspect for free (except that the minutes of the general meeting of Shareholders are only available for inspection by Shareholders) and copy for shareholders after payment of reasonable fee. The Company may refuse to provide if the content to be consulted and copied involves the Company's business secrets and inside information or the personal privacy of relevant personnel;

- to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;
- to request the Company to purchase their Shares for the Shareholders who object to the Company's resolution on merger or division made by the Shareholders' general meetings; and
- to enjoy other rights stipulated by laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed and the Articles of Association.

In the event that any resolution of the Shareholders' general meeting or resolution of the Board of Directors violates laws or administrative regulations, the Shareholder is entitled to request the People's Court to deem it as invalid. In the event that the convening procedure or voting method of the Shareholders' general meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or any resolution of which violates the Articles of Association, the Shareholder is entitled to request the People's Court to overturn the resolution within 60 days upon the resolution was adopted.

Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by Directors and senior management in the course of performing their duties, the Shareholders individually or jointly holding 1% or more of the Shares of the Company for over 180 consecutive days shall have the rights to request in writing to the Board of Supervisors to initiate legal proceedings in the People's Court. Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by the Supervisors in the course of performing their duties, the Shareholders shall have the rights to request in writing to the Board to initiate legal proceedings in the People's Court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the People's Court for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the Shareholder(s) specified in the Articles of Association may file an action with the competent People's Court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent People's Court.

Holders of ordinary shares of the Company shall assume the following obligations:

- to abide by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed and the Articles of Association;

- to pay subscription monies according to the number of shares subscribed and the method of subscription;

- not to withdraw the shares unless required by the laws, administrative regulations and departmental rules;

- not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders, and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardize the interests of any creditors of the Company;

- other obligations imposed by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed and the Articles of Association;

- Where any shareholder of the Company abuses the shareholders' rights and incur losses to the Company or other shareholders, such shareholder shall be liable for the damages. Where shareholders of the Company abuse the Company's status as an independent legal entity and the limited liability of shareholders for the purposes of evading debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company;

Shareholders are not liable to make any further contribution to the share capital other than the conditions agreed by the subscribers of the relevant shares on subscription.

Restrictions on Rights of Controlling Shareholders

In addition to the obligations imposed by the laws, administrative regulations, departmental rules or listing rules of the stock exchange of the place where the Company's Shares are listed, a Controlling Shareholder shall not exercise his/her voting rights in respect to the following matters in a manner prejudicial to the interests of all or some of the shareholders of the Company in exercising his/her shareholder rights:

- to release the Directors and Supervisors from the responsibility of acting honestly in the best interests of the Company;

- to approve the Directors and Supervisors (for their own account or for the account of other parties) to deprive the Company of its assets in any manner, including, but not limited to, any opportunity favorable to the Company; and

- to approve the Directors and Supervisors (for their own account or for the account of other parties) to deprive other shareholders of their individual rights and interests, including but not limited to any allocation right and voting right, but excluding any corporate restructuring proposal made at the Shareholders' general meeting in accordance with the Articles of Association.

Notice of the Shareholders' General Meeting

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. The annual Shareholders' general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

The Company shall convene an extraordinary general meeting within two months from the occurrence of any of the following circumstances:

(i) when the number of Directors is less than the statutory minimum number of five persons stipulated in the Company Law or two-thirds of the number specified in the Articles of Association;

(ii) when the unrecovered losses of the Company amount to one-third of the total paid-in share capital;

(iii) when the Shareholders with 10% or more (including 10%) share certificates with voting rights issued by our Company separately or jointly request in writing;

(iv) when the Board of Directors considers it necessary;

(v) when it is proposed to hold by the Board of Supervisors;

(vi) any other circumstances stipulated in the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed and the Articles of Association.

The shareholding ratio mentioned in (iii) is calculated based on the Company's Shares held by the Shareholder on the day on which the Shareholder submits the written request or after close of market on the preceding business day when the day on which the Shareholder submits the written request is not a business day.

At least 21 days before convening an annual general meeting, and 15 days before convening an extraordinary general meeting, our Company shall inform all Shareholders of time, venue and matters to be considered. In determining the commencement date and the period, the Company shall not include the date convening the meeting.

The notice of a Shareholders' general meeting shall:

(i) be issued in writing;

(ii) specify the time, venue and duration of the meeting;

(iii) state the matters and proposals to be deliberated at the meeting;

(iv) provide to shareholders with all necessary information and explanation to enable shareholders to make informed decisions on the matters to be discussed. This means that when any proposals relating to (including but not limited to) any merger, share repurchase, share capital reorganization or change in the structure of the Company are involved, the detailed terms of the proposed transaction, the proposed agreement (if any) and detailed explanation as to the cause and effect of such a proposal transaction shall be provided;

(v) if any of the Directors, Supervisors, General Manager and other senior management have material interest in the matters to be discussed, the nature and extent of such interest shall be disclosed; and if the effects of the matters to be discussed have a different effect on a Director, Supervisor, General Manager and other senior management in their capacity as shareholders compared to other shareholders of that same class, this difference shall be explained;

(vi) the full text of any proposed special resolution to be voted on at the meeting;

(vii) a prominent statement stating that all shareholders of ordinary shares (including preferred shareholders whose voting rights are restored) are entitled to attend the meeting and appoint one or more proxies in writing to attend and vote on their behalf, and such proxies need not be a shareholder of the Company;

(viii) the time and venue for delivering the proxy form authorizing the proxy to vote of the relevant meeting;

(ix) the name and phone number of the standing contact person of the meeting;

(x) specify the date of registration of shareholdings of shareholders who are entitled to attend the Shareholders' general meeting;

(xi) the time and procedure for voting through internet or other means.

For general meetings held online or by other means, the time and procedures for voting online or through other means shall be expressly stated in the notice of such meetings.

The interval between date of registration of shareholdings and the meeting shall not be more than 7 business days. The date of registration of shareholdings cannot be changed once determined.

Unless otherwise provided by laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's shares are listed and the Articles of Association, the notice of the shareholders' general meeting shall be sent by hand or by postage-paid mail to the shareholders (regardless of whether such shareholders have the right to vote at the shareholders' general meeting), whereas the recipient's address shall be based on the address registered with the register of shareholders. For domestic shareholders, the notice of our shareholders' general meeting may be given in the form of an announcement.

The abovementioned announcement shall be published in one or more newspapers designated by the securities governing authority of the State Council. Once the announcement is made, all domestic shareholders shall be deemed to have received the notice of the shareholders' general meeting.

Where in accordance with the requirements of laws, administrative regulations, departmental rules and listing rules of the stock exchange of the place where the Company's Shares are listed and subject to the performance of the relevant procedures, the notice to be sent to H Shareholders could be published on the websites designated by the Hong Kong Stock Exchange and the website of our Company or by other methods permitted by the Hong Kong Listing Rules and the Articles of Association, in lieu of delivery by hand or by postage-paid mail.

Proxies

Any shareholder who is entitled to attend and vote at Shareholders' general meeting has the right to appoint one or more persons (who may not necessarily be shareholders) as his or her shareholder proxy to attend and vote at the meeting on his or her behalf. Pursuant to the authorization of the shareholder, the proxy may exercise the following rights:

(i) the shareholder's right to speak at the Shareholders' general meeting;

(ii) demand a poll individually or with others;

(iii) unless otherwise provided in accordance with applicable securities listing rules and other laws, exercise the right to vote by a show of hands or a poll, but the proxy may only exercise the right to vote by a poll when more than one proxy is appointed.

The instrument appointing a proxy shall be in writing and signed by the appointer or a person duly authorized in writing. Where the appointer is a legal person, the stamp of the legal person shall be affixed, or signed by its director or a duly authorized agent.

The format of any power of attorney issued by the Company's Board of Directors to Shareholders for appointing proxies shall allow the shareholder, according to his or her free will, to instruct the proxy to vote and provide instructions separately for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify whether the proxy could vote at his or her own discretion if the shareholder does not provide specific instructions.

The power of attorney must be deposited at the domicile of the Company or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated time. If the power of attorney is signed by another person authorized by the appointer, the power of attorney or other authorization documents authorized to be signed must be verified by a notary. The power of attorney or other instrument verified by the notary must be deposited together with the power of attorney at the domicile of the Company or other location designated at the notice convening the meeting. A legal person shareholder should attend the meeting by its legal representatives or persons authorized by its board of directors or other decision-making authorities.

The votes of the proxy given pursuant to the terms of the power of attorney shall remain valid notwithstanding the death, loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that our Company does not receive any written notice concerning such matters before the related meeting is convened.

Power of the Meeting and Matters to be Resolved

The Shareholders' general meeting is the authority of the Company and shall exercise the following powers according to the laws:

(i) to decide the Company's operational directions and investment plans;

(ii) to elect and replace Directors and Supervisors who are not staff representatives and to determine matters relating to the remuneration of the Directors and Supervisors;

(iii) to consider and approve the reports of the Board;

(iv) to consider and approve the reports of the Board of Supervisors;

(v) to consider and approve the Company's annual financial budgets and final accounts;

(vi) to consider and approve the Company's profit distribution plan and plan for recovery of losses;

(vii) to make resolutions on increase or reduction of the Company's registered capital;

(viii) to make resolution on the issuance of corporate bonds, securities convertible to shares, options, warrants or similar right to subscribe for any shares or securities convertible to shares or other securities and listing;

(ix) to make resolutions on the merger, demerger, spin-off, dissolution, liquidation or change of corporate form of the Company;

(x) to amend the Articles of Association;

(xi) to make resolutions on the issue of appointment, dismissal or non-reappointment of accounting firms;

(xii) to consider the proposals put forward by Shareholders individually or jointly holding 3% or more of the Company's shares with voting rights;

(xiii) to consider and approve the guarantee issues as prescribed in the Articles of Association;

(xiv) to consider the transactions that the amount of transactions between the Company and connected parties (except for guarantees provided by the Company) exceeds RMB30 million and represents more than 1% of total value of the latest audited net assets or market capitalization of the Company and matters subject to consideration by the Shareholders' general meeting under the Hong Kong Listing Rules;

(xv) to consider and approve matters relating to the change of purpose of raised fund;

(xvi) to consider the share incentive plan and employee shareholding scheme;

(xvii) to consider the issues that the Company purchases or sells within one year any major assets with an amount exceeding 30% of the latest audited total assets of the Company;

(xviii) to consider other issues as stipulated by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed or the Articles of Association.

Voting and Resolutions of Shareholders' General Meetings

Resolutions of a Shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by Shareholders (including proxies thereof) attending the Shareholders' general meeting. Special resolutions shall be passed by votes representing not less than two-thirds of voting rights held by Shareholders (including proxies thereof) attending the Shareholders' general meeting.

The following issues shall be approved by way of ordinary resolutions at a Shareholders' general meeting:

(i) work report of the Board of Directors and the Board of Supervisors;

(ii) plans of earnings distribution and loss make-up schemes;

(iii) appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their remuneration and payment methods;

(iv) annual preliminary financial budgets, final account reports, balance sheets, income statements and other financial statements of the Company;

(v) annual report of our Company;

(vi) appointment or dismissal of accounting firms by the Company;

(vii) other matters other than those to be approved by way of special resolution stipulated in the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the shares are listed or the Articles of Association.

The following issues shall be approved by way of special resolutions at a Shareholders' general meeting:

(i) increase or reduction in the share capital of the Company;

(ii) to make resolution on the issuance of shares of any class, warrants and other similar securities, securities convertible to shares, options, warrants or similar right to subscribe for any shares or securities convertible to shares or other securities and listing;

(iii) issuance of corporate bonds;

(iv) division, merger, dissolution, liquidation or change of form of the Company;

(v) amendment to the Articles of Association;

(vi) share incentive plan;

(vii) the purchases or disposals of significant assets, or the provisions of guarantees by the Company within one year which exceed 30% of the Company's latest audited total assets;

(viii) other matters stipulated by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed or the Articles of Association and those, according to an ordinary resolution of the Shareholders' general meeting, may have a significant impact on the Company and require adoption by means of a special resolution.

Shareholders (including their proxies) exercise voting power at the Shareholders' general meeting with respect to the number of voting shares represented by them, and each share has one vote.

Where material issues affecting the interests of minority investors are being considered at the Shareholders' general meeting, the votes by minority investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner according to the relevant laws, regulations and listing rules of the stock exchange of the place where the Company's Shares are listed.

The shares held by the Company do not have voting power, and such shares are not counted in the total number of voting shares upon attendance at a Shareholders' general meeting.

When a related transaction is considered at a Shareholders' general meeting, the related shareholders shall not vote, and the voting shares represented by them shall not be counted in the total number of valid voting shares. The announcement of the resolution made at the Shareholders' general meeting shall adequately disclose information relating to voting by non-related shareholders.

Other than the cumulative voting system, the Shareholders' general meeting shall vote on all proposals one by one. For different proposals on the same matter, voting shall be proceeded according to the time order of these proposals. Other than special reasons such as force majeure which results in the interruption of the meeting or makes it impossible to come to a resolution, the Shareholders' general meeting shall not put aside the proposals or withhold from voting.

Shareholders' general meeting adopt vote by registered ballot, unless the chairman of the meeting decides on the principle of good faith to allow resolutions purely related to procedures or administrative matters to be voted by shows of hands. When voting at a Shareholders' general meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favor with all of their votes.

When the number of dissenting votes equals the number of supporting votes, regardless of voting by ballot or show of hands, the meeting host is entitled to one additional vote. When Shareholders' general meeting is voting on any proposals, lawyers, Shareholders' representatives and Supervisors' representatives shall be jointly responsible for vote counting and scrutinizing, and the voting results shall be announced in the meeting and recorded in the minutes.

Class Shareholders and Special Procedures for their Voting

Shareholders holding different classes of Shares shall be class Shareholders.

Class Shareholders shall have rights and obligations in accordance with the laws, administrative regulations, departmental rules and the Articles of Association. Apart from holders of other classes of Shares, holders of domestic shares and H shares are regarded as shareholders of different classes.

Any variation or abrogation of the rights of class Shareholders proposed by the Company shall be approved by a special resolution of the Shareholders' general meeting and by the affected class Shareholders at a separate class Shareholders' meeting convened in accordance with the Articles of Association.

The following circumstances shall be deemed to be variation or abrogation of the rights of Shareholders of a certain class:

(i) increase or decrease in the number of shares of that class, or increase or decrease in the number of shares of another class having the same or more rights in voting, distribution or other privileges;

(ii) conversion of all or part of the shares of that class into shares of other classes, or conversion of all or part of the shares of other classes into shares of that class or granting rights of such conversion;

(iii) removal or reduction of the rights to receive and retain dividends or accumulated dividends attributable to shares of that class;

(iv) reduction or removal of the rights of priority to receive dividends or distribution of wealth in the event of liquidation attached to shares of that class;

(v) increase, removal or reduction of the right of conversion, options, voting rights, the right to transfer, pre-emptive rights and the right to acquire securities of the Company attached to shares of that class;

(vi) removal or reduction of the right to receive sums payable by the Company in particular form of currency attached to shares of that class;

(vii) creation of a new class of shares having the same or more rights in voting, distribution or other privileges;

(viii) imposing or strengthening the restriction on the transfer of or the ownership of shares of that class;

(ix) issuance of rights to subscribe for or convert into shares of that class or other class;

(x) increase in the rights and privileges of shares of other classes;

(xi) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of Shareholders during the restructuring;

(xii) revision or nullification of the provisions in Chapter IV-Section VII Special Procedures for Voting at Class Meetings in the Articles of Association.

The affected class Shareholders, whether or not having the right to vote at the Shareholders' general meetings, shall have the right to vote at the class meeting in relation to any of the matters under circumstances (ii) to (viii), (xi) to (xii) mentioned above, but interested Shareholders shall not be entitled to vote at the class meeting.

A resolution of a class meeting shall be passed by at least a two-thirds majority calculated on the basis of the voting rights held by the Shareholders present and entitled to vote at the class meeting.

At least 21 business days before convening an annual class meeting, and 15 days before convening an extraordinary class meeting, our Company shall inform all registered holders of the class shares of time, venue and matters to be considered. Where there are special provisions in laws, administrative regulations, departmental rules, and listing rules of the stock exchange of the place where the Company's Shares are listed, those provisions shall prevail.

Insofar as possible, any class meeting shall be held in accordance with the same procedures as those of the Shareholders' meeting, and unless otherwise provided in the Articles of Association, any clause that relates to the procedures for convening the Shareholders' meeting in the Articles of Association shall apply to class meeting.

The special procedures for voting by class Shareholders shall not apply in the following circumstances:

(i) pursuant to a special resolution of the Shareholders' general meeting, the Company issues domestic Shares and overseas-listed foreign Shares every 12 months, either separately or concurrently, and the respective numbers of domestic Shares and overseas-listed foreign Shares proposed to be issued do not exceed 20% of such issued and outstanding Shares;

(ii) the plan of issuing domestic Shares and overseas-listed foreign Shares of the Company upon establishment which completes within 15 months from the date of approval by the competent securities department of the State Council or within the period of validity of its approval documents;

(iii) upon the approval of the competent securities department of the State Council, the Shareholders of domestic shares of the Company will transfer its shares to offshore investors and such shares will be listed on a foreign stock exchange.

DIRECTORS, SUPERVISORS, GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

Emoluments or compensation for Directors and Supervisors

As provided in the written contract entered between our Company and the Directors or Supervisors in connection with their emoluments, they are entitled to compensation or other payments subject to the approval of the Shareholders' general meeting in advance. The aforesaid emoluments include:

(i) emoluments in respect of his service as a Director, Supervisor or senior management of our Company;

(ii) emoluments in respect of his service as a Director, Supervisor or senior management of any subsidiary of our Company;

(iii) emoluments in respect of other service in relation to the management of our Company and any subsidiary of our Company; and

(iv) payment by way of compensation for loss of office or retirement from office of a Director or Supervisor.

It should be concluded in the emolument contract that where our Company is to be acquired, the Directors and Supervisors should be entitled to compensation or other payments for loss of office or retirement from office subject to the approval of the Shareholders at the Shareholders' general meeting in advance.

Acquisition of our Company refers to any of the following circumstances:

(i) a takeover offer made by any person to all Shareholders; or

(ii) a takeover offer made by any person aiming to make the offeror become the controlling Shareholder of our Company. The definition of controlling Shareholder is the same as defined in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received by them shall belong to the person who sells the shares in acceptance of the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person in a proportional manner and all related expenses shall not be deducted from these payments distributed.

Loans or Guarantees of Loans to Directors, Supervisors, General Manager or other senior management

Our Company shall neither provide the Directors, Supervisors, General Manager or other senior management personnel of our Company or our parent company with loans or loan guarantees either directly or indirectly, nor provide persons related to the above personnel with loans or loan guarantees.

The following circumstances are exempted from the above clauses:

(i) our Company provides our subsidiaries with loans or loan guarantees;

(ii) our Company provides any of the Directors, Supervisors, General Manager or other senior management personnel with loans, loan guarantees or any other fund pursuant to the employment contracts approved at the Shareholders' general meeting, for paying expenses incurred for the purpose of our Company or performing his duties owed to our Company; and

(iii) in case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors, General Manager or other senior management personnel and their related persons with loans or loan guarantees, provided that the conditions of such loans or loan guarantees shall be under normal commercial conditions.

In the event that our Company provides loans in violation of this restriction, the person who receives the loan(s) must pay off the loan(s) immediately, regardless of the conditions of loans. Any loan guarantee provided by our Company in violation of the above requirements shall not be mandatorily enforced against us, unless under the following circumstances:

(i) the lender unknowingly provides loans to personnel related to the Directors, Supervisors, General Manager or other senior management of our Company or its parent company; or

(ii) the collateral provided by our Company is sold lawfully by the lender to the bona fide buyer.

Disclosure of interests in contracts, transactions or arrangements with our Company

Where a Director, Supervisor, General Manager and other senior management directly or indirectly has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into (except for employment contracts that our Company entered into with the Directors, General Manager and other senior management), the above personnel shall disclose the nature and extent of their interests to the Board of Directors as soon as possible, regardless whether or not the above contracts, transactions or arrangements are subject to the approval of the Board of Directors in normal circumstances.

With respect to any contract, transaction or arrangement in which a Director or his associates have a material interest, the Director shall not vote and shall not be included in the quorum, except for the exceptions provided in the Hong Kong Listing Rules or permitted by the Hong Kong Stock Exchange. Unless the Directors, Supervisors, General Manager and other senior management who have interests have made disclosure to the Board of Directors in accordance with the above requirements and the Board of Directors approves such matters at the meeting at which such interested personnel are not included in the quorum and abstained from voting, our Company shall have the right to cancel such contracts, transactions or arrangements, except where the counterparty is a bona fide party without knowledge of the acts of related Directors, Supervisors, General Manager and other senior management violating their obligations. Where related persons of the Directors, Supervisors, General Manager and other senior management have interests in certain contracts, transactions and arrangements, the relevant Directors, Supervisors and other senior management shall also be deemed to have interests.

Qualifications

None of the following persons shall serve as our Director, Supervisor, General Manager or senior management:

- persons without civil capacity or with limited civil capacity;

- persons who have committed offenses relating to corruption, bribery, embezzlement, misappropriation of property or disruption of social economic order and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence, or who have been deprived of their political rights due to the commission of a criminal offense, where less than five years have elapsed since the date of restoring their political rights;

- persons who were former directors, factory managers or general manager of a company or enterprise which was declared bankrupt and was liquidated due to poor operation and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

- persons who were legal representatives of a company or enterprise which had its business license revoked and operation ordered to close due to violation of the laws and who were personally liable, where less than three years have elapsed since the date of the revocation;

- persons who have a substantial amount of debts due and outstanding;

- persons who have been investigated by the judicial authorities due to violation against the Criminal Law and the case has not yet been closed;

- persons who are prohibited from entering into the securities market by the CSRC for a period which has not yet expired;

- persons who are prohibited from acting as a management member of a company by laws or administrative regulations;

- persons who are not natural persons;

- persons who have been convicted by the competent authority for violation of securities regulations and acting fraudulently or dishonestly, where less than five years have elapsed since the date of conviction; or

- other persons specified by the laws, administrative regulations, departmental rules or listing rules of the stock exchange of place where the Company's Shares are listed.

Any election, delegation or appointment of the Directors, Supervisors, General Manager or other senior management in contravention of the aforesaid paragraphs shall be invalid. If the Directors, Supervisors, General Manager or senior management fall into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by our Company.

The validity of the conduct of Directors, General Manager and other senior management who act in good faith on behalf of the Company with respect to third parties shall not be affected by any irregularity in their appointment, election or qualification.

Duties

The Directors, Supervisors, General Manager and other senior management shall bear the obligations of good faith and diligence towards our Company. In the event of violation of obligations owed to our Company by the Directors, Supervisors, General Manager and other senior management, we shall have the right to take the following measures in addition to various rights and remedial measures stipulated in laws, administrative regulations and departmental rules:

(i) require the related Directors, Supervisors, General Manager or other senior management to compensate our Company for losses sustained as a result of their neglect of duty;

(ii) cancel any contract or transaction entered into between our Company and related Directors, Supervisors, General Manager or other senior management as well as any contract or transaction entered into between our Company and third parties when the third parties knew or should have known that the Directors, Supervisors, General Manager or other senior management acting on behalf of our Company violated their obligations owed to our Company;

(iii) require the relevant Directors, Supervisors, General Manager or other senior management to turn over the proceeds obtained from the violation of their obligations;

(iv) recover funds received by the relevant Directors, Supervisors, General Manager or other senior management that should have been received for our Company, including but not limited to commissions;

(v) require the relevant Directors, Supervisors, General Manager or other senior management to return the interest earned or that may be earned from funds that should have been paid to our Company.

When performing their duties, the Directors, Supervisors, General Manager and other senior management of our Company must comply with the principle of good faith and shall not put themselves in situations where their own interests may conflict with the obligations they have undertaken. This principle includes, without limitation, performing the following obligations:

- to act honestly in the best interests of the Company;
- to exercise powers within the scope of their powers, and not to act beyond authority;

- to exercise their discretion vested in them on themselves and not to allow themselves to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the consent of Shareholders' general meeting, not to delegate others to exercise their discretion;
- to treat shareholders of the same class equally and to treat Shareholders of different classes fairly;
- not to enter into any contract, transaction or arrangement with the Company unless provided by the Articles of Association or with the consent of Shareholders' general meeting in an informed manner;
- not to use the Company's property for their own benefit in any form without the consent of Shareholders' general meeting in an informed manner;
- not to exploit their positions to accept bribes or other illegal income or expropriate the property of the Company by any means, including but not limited to opportunities advantageous to the Company;
- not to accept commissions in connection with the transactions of the Company without the consent of Shareholders' general meeting in an informed manner;
- to abide by the Articles of Association, perform their duties faithfully and protect the interests of the Company, and not to exploit their positions and powers in the Company for their own interests;
- not to compete with the Company in any way without the consent of Shareholders' general meeting in an informed manner;
- not to misappropriate the Company's funds or lend such funds to others, not to open accounts in their own names or other names for the deposit of the assets of the Company and not to provide guarantee for debts of a Shareholder of the Company or other individual(s) with the assets of the Company;
- unless otherwise permitted by Shareholders' general meeting in an informed manner, not to disclose confidential information about the Company acquired by them during their tenure and not to use the information other than in the interests of the Company, save that disclosure of such information to the court or other government authorities is permitted if the disclosure is:

  (i) by order of the laws;

  (ii) in the interests of the public;

  (iii) in the interest of the Director, Supervisor, General Manager and other senior management.

The Directors, Supervisors, General Manager and other senior management may not direct the following personnel or institutions ("related persons") to do what they are prohibited from doing:

(i) spouses or minor children of the Directors, Supervisors, General Manager and other senior management;

(ii) trustees of the Directors, Supervisors, General Manager and other senior management or the persons mentioned in the preceding paragraph;

(iii) partners of the Directors, Supervisors, General Manager and other senior management or persons mentioned in (i) and (ii) above;

(iv) any company under de facto control by the Directors, Supervisors, General Manager and other senior management individually or jointly with the persons mentioned in (i), (ii) and (iii) above or other Directors, Supervisors, General Manager and senior management of the Company; and

(v) directors, supervisors, general manager or other senior management of the controlled companies mentioned in (iv).

The fiduciary duties of the Directors, Supervisors, General Manager and other senior management of the Company do not cease with the termination of their tenure, and the duty of confidentiality in relation to commercial secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairly required depending on the time lapse between the act concerned and the termination and the circumstances and conditions under which the relationships between them and the Company are terminated.

Unless otherwise provided in the Articles of Association, liabilities of Directors, Supervisors, General Manager and other senior management arising from the violation of specific duties may be relieved by Shareholders' general meeting in an informed manner.

Apart from the obligations set forth in related laws, administrative regulations, departmental rules or listing rules of the stock exchange where the shares of our Company are listed, the Directors, Supervisors, General Manager or other senior management shall assume the following obligations for each of the Shareholders when exercising their rights and performing their responsibilities:

(i) they shall not cause our Company to operate beyond the scope of business indicated on our business license;

(ii) they shall sincerely act in the best interests of our Company;

(iii) they may not deprive our Company of our properties in any manner, including, but not limited to, opportunities beneficial to our Company; and

(iv) they shall not deprive the Shareholders of personal rights and interests, including, but not limited to, the right to receive dividends and to vote, except for the restructuring of our Company approved at the Shareholders' general meeting pursuant to the provisions of the Articles of Association.

The Directors, Supervisors, General Manager and other senior management of our Company have the responsibility when exercising their rights or carrying out their obligations to act with the care, diligence and skill due from a reasonably prudent person under similar circumstances.

Where the Company incurs loss as a result of violation of any laws, administrative regulations or the Articles of Association by Directors or senior management in the course of performing their duties, the Shareholders individually or jointly holding 1% or more of the Shares of the Company for over 180 consecutive days shall have the rights to request in writing to the Board of Supervisors to initiate legal proceeding in the court. Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by the Supervisors in the course of performing its duties, the Shareholders may submit a written request to the Board of Directors to initiate legal proceeding in the court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the People's Court for the interest of our Company.

Directors

Directors shall be elected or replaced by the Shareholders' general meetings. The term of office of a Director shall be three years. Upon the expiration of the term of office, a Director shall be eligible to offer himself for re-election and reappointment. Before the expiration of the term of office of any Directors (including a managing Director or other executive Directors, if applicable), the Shareholders' general meeting can remove their duties without cause by way of ordinary resolution (but without prejudice to any claim for damages under any contract).

The term of office of a Director shall commence from the date on which the said Director assumes office to the expiry of the current session of the Board. If the term of office of a Director expires but re-election is not made correspondingly on a timely basis, the original Director shall continue to perform his/her duties as a Director in accordance with the laws, administrative regulations, departmental rules, listing rules of the stock exchange in the place where the Company's Shares are listed and the Articles of Association until the incoming Director assumes his/her position.

General Manager or senior management may concurrently serve as a Director, provided that the aggregate number of Directors who concurrently serve as General Manager or senior management and Directors who are staff representatives shall not exceed one-half of the total number of Directors of the Company.

A Director is not required to hold shares of the Company.

A Director shall comply with the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's shares are listed and the Articles of Association and has the following fiduciary obligations to the Company:

(i) not to exploit his/her position to accept bribes or to obtain other illegal income, and not to expropriate the Company's property;

(ii) not to misappropriate the Company's funds;

(iii) not to open any account in his own name or in other's own name for the deposit of the Company's assets or funds;

(iv) not to violate the provisions of the Articles of Association by lending the Company's funds to others or using the Company's assets to provide guarantee for others without the consent of the Shareholders' general meeting or the Board;

(v) not to enter into a contract or transaction with the Company in violation of the provisions of the Articles of Association or without the consent of the Shareholders' general meeting;

(vi) not to use their position to obtain business opportunities which should be available to the Company for themselves or others, or to run his/her own or others' business which is similar to the Company's business without the consent of the Shareholders' general meeting;

(vii) not to accept commissions in connection with the Company's transactions;

(viii) not to disclose the secrets of the Company without consent;

(ix) not to use their connections to harm the interests of the Company;

(x) to be bound by other fiduciary obligations stipulated by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's shares are listed and the Articles of Association.

Any gain arising from the breach of the preceding paragraphs by the Director shall belong to the Company. He/she shall be liable for compensation for any loss of the Company arising therefrom.

A director shall comply with the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed and the Articles of Association and shall diligently perform the following obligations to the Company:

(i) to exercise prudently, conscientiously and diligently the rights granted by the Company to ensure the Company's commercial acts in compliance with the State laws, administrative regulations, departmental rules and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business license;

(ii) to treat all Shareholders equally;

(iii) to understand the business operation and management of the Company in a timely manner;

(iv) to sign written confirmation on regular reports of the Company and to ensure the integrity, accuracy and completeness of the information disclosed by the Company;

(v) to provide relevant conditions and information to the Board of Supervisors truthfully and shall not intervene the performance of the Board of Supervisors or Supervisors of their functions and powers;

(vi) to perform other obligations of diligence stipulated by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed and the Articles of Association.

If any Director fails to attend in person or appoint other Directors as his/her representative to attend meetings of the Board for two consecutive times, such Director shall be deemed as unable to perform his duties, and the Board shall propose to replace such Director at the Shareholders' general meeting.

The Directors may resign before the expiration of their term of office. Where the Board is lower than the quorum due to the resignation of the Directors, the original Directors shall, before the re-elected Directors assume positions, still perform their duties in accordance with the laws, administrative regulations, departmental rules, listing rules of the stock exchange where the Company's Shares are listed and the Articles of Association.

Otherwise, the resignation of directors shall come into effect upon the service of the resignation letter to the Board.

In case of the resignation or the expiration of term of office of the Directors, all handover procedures shall be handled with the Board. The fiduciary obligations of the Directors to the Company and the Shareholders will not necessarily be removed if the registration has not come into effective or within a reasonable period after validation and the end of the term, and the obligations of confidentiality in relation to the Company's commercial secret remain valid after the end of term of office until the secret becomes public. Other obligations may continue for such period determined according to the principle of fairness.

No Director shall act in his/her own name for the Company or the Board without authorization by the Board or unless otherwise provided in the Article of Association. Where a Director acts in his/her own name in a situation where a third party may reasonably believe that such director is acting for the Company or the Board, such Director shall declare in advance his/her stance and identity.

Borrowing Powers

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors, other than provisions which (a) authorize the Board to formulate proposals for the issuance of corporate bonds or other securities and listing by our Company; and (b) require the issuance of corporate bonds or other securities and listing to be approved by the Shareholders in Shareholders' general meeting by way of a special resolution.

The Board of Directors

The Company shall have a board accountable to the Shareholders' general meeting. The Board shall consist of nine Directors, and have a chairman. Independent non-executive Directors should account for at least one-third of the number of the Directors of the Board, and consist of no less than three members.

The Board shall perform the following duties:

(i) to convene Shareholders' general meetings and report to Shareholders' general meetings;

(ii) to implement the resolutions of the Shareholders' general meetings;

(iii) to determine business operation plans and investment plans of the Company;

(iv) to formulate annual preliminary and final financial budgets of the Company;

(v) to formulate the profit distribution plans and plans for recovery of losses of the Company;

(vi) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(vii) to formulate plans for major acquisitions of our Company, the purchase of Shares of our Company, merger, division, dissolution or change in the form of our Company;

(viii) to determine such matters as our Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management, connected transaction and external donation within the scope authorized by the Shareholders' general meeting;

(ix) to decide on the setup of the Company's internal management organization;

(x) to determine appointment or dismissal of the Company's General Manager and secretary to the Board of Directors and other senior management as well as determine their remuneration matters and disciplinary matters and, based on the nominations of the General Manager, to appoint or dismiss vice president, financial controller and other senior management and to determine their remuneration, rewards and punishments;

(xi) to formulate the basic management systems of the Company;

(xii) to formulate plans for any amendments to the Articles of Association;

(xiii) to manage the disclosure of information of the Company;

(xiv) to propose at the Shareholders' general meeting the appointment or replacement of the accounting firm that performs audits for our Company;

(xv) to receive the work report of the General Manager of the Company and examine on the General Manager's work;

(xvi) to review and approve the transactions in accordance with Chapters 14 and 14(A) of the Hong Kong Listing Rules;

(xvii) other duties and powers that should be exercised by the Board stipulated by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed or the Articles of Association.

The above resolutions adopted by the Board of Directors, except items (vi), (vii) and (xii) which must be approved by not less than a two-thirds vote of the Directors, may be approved by more than half of the votes by the Directors.

Any events beyond the authorization scope of the Shareholders' general meeting shall be submitted to the Shareholders' general meeting for approval.

When the Board disposes of any fixed assets, the Board shall not, without the approval of the Shareholders' general meeting, dispose of or agree to dispose of such fixed assets where the aggregate of the expected value of the fixed assets contemplated to be disposed of and the realized value of fixed assets that have been disposed of within four months immediately preceding the proposed disposition exceeds thirty-three percent of the value of fixed assets as shown in the latest audited balance sheet examined in the Shareholders' general meeting.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the preceding paragraph.

The Board shall make an explanation at the Shareholders' general meeting for the non-standard audit opinions on the financial report of the Company issued by the certified public accountant.

The Board shall formulate the rules of procedures of the Board meeting to ensure the implementation of resolutions of the Shareholders' general meeting, enhance the working efficiency and ensure the scientific decision making.

Meetings of the Board include regular meetings and extraordinary meetings. Meetings of the Board shall be held regularly at least four times each year, and shall be convened by the chairman of the Board. Notices of regular meetings and meeting documents shall be delivered to all Directors and Supervisors at least 14 days before the meeting (not including the day of the meeting). The Board of Directors should have arrangements to ensure that all Directors have the opportunity to propose matters for discussion on the agenda of regular board meetings. An extraordinary meeting should be notified three days before the meeting. By consent of all Directors, the above time limit may not be observed.

Meetings of the Board shall be held only if more than one-half of the Directors are present. Each Director shall have one vote. Where the number of votes against a resolution is equal to the number of votes in favor of such resolution, the chairman of the Board is entitled to one more vote.

A Director who is connected to the enterprises involved in a resolution of the meeting of the Board shall neither exercise his/her voting rights nor exercise another Director's voting rights as a proxy. Such meeting of the Board shall be held only when more than half of the disinterested Directors, and the resolution of the meeting of the Board shall be approved by more than half of such disinterested Directors. In case of less than three disinterested Directors present at the meeting, such matter shall be submitted to the Shareholders' general meeting for deliberation.

A Director shall attend the meeting of the Board in person. If a Director is unable to attend a meeting of the Board, he/she may appoint another Director by a written power of attorney to attend on his/her behalf. Such a power of attorney shall specify the name of the proxy, the matters for entrustment, the scope of authorization and validity period, and shall be signed or sealed by the principal.

Secretary to the Board of Directors

Our Company shall have secretary to the Board of Directors. The secretary to the Board of Directors must be a natural person with the requisite expertize and experience and be appointed by the Board of Directors. The main responsibilities of the secretary to the Board shall be:

(i) to ensure the completeness of the Company's constitutional documents and records;

(ii) to ensure that reports and documents of the Company required by competent authorities are prepared and delivered;

(iii) to ensure the register of Shareholders of our Company is properly established, and that persons entitled to receive relevant records and documents of our Company are given timely access to such records and documents;

(iv) to be responsible for the preparations for the Shareholders' general meetings and meetings of the Board, keeping of documentation and Shareholders' data;

(v) to be responsible for matters relating to the disclosure of the Company's information, to ensure the timeliness, accuracy, lawfulness, integrity and completeness of the disclosure of the Company's information;

(vi) to perform other functions and powers granted by the Board and other functions and powers required by the stock exchange of the place where the Company's shares are listed.

Directors or other senior management of the Company may concurrently hold the office of secretary to the Board. The accountants of the accounting firm engaged by the Company shall not concurrently hold the office of secretary to the Board.

If the office of secretary to the Board is held by a Director of the Company and a certain act is to be done by a Director and the secretary to the Board separately, the person who concurrently holds the offices of Director and secretary to the Board may not perform the act in both capacities.

The Board of Supervisors

The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of three supervisors, including a chairman. The chairman of the Board of Supervisors shall be elected and dismissed by not less than a two-thirds vote of the members of the Board of Supervisors.

The Supervisors shall consist of Shareholder's representatives and employee's representatives, and the proportion of employee's representatives shall not be less than one-third. The Directors and other senior management shall not also serve as Supervisors.

Resolutions of the Board of Supervisors shall require approval from two-thirds of members of the Board of the Supervisors. The Supervisors serve three-year terms. The Supervisors may, after the expiration of the term of office, be re-elected and re-appointed.

The Board of Supervisors shall exercises the following powers:

(i) to review the periodical reports of the Company prepared by the Board and to provide comments in writing;

(ii) to inspect the financial position of the Company;

(iii) to supervise the performance of the Directors and senior management and to advise the dismissal of any Directors or senior management who violate the laws, administrative regulations, departmental rules, the Articles of Association or resolutions of the Shareholders' general meetings;

(iv) to examine the financial information such as the financial reports, operating reports and distribution plans of profits to be submitted by the Board to the Shareholders' general meetings and to entrust a certified public accountant or a practicing auditor to help review in the name of the Company if there is any doubt;

(v) to demand rectification of the Directors and senior management where their conducts are detrimental to the interests of the Company;

(vi) to propose to convene an extraordinary general meeting and to convene and preside over the Shareholders' general meeting if the Board fails to do so as required by the Company Law;

(vii) to submit proposals at a Shareholders' general meeting;

(viii) to negotiate with Directors and senior management on behalf of the Company or to file lawsuits against Directors and senior management in accordance with Article 151 of the Company Law;

(ix) to investigate if there is any abnormal condition of the Company's operation; and if necessary, to engage on accounting firm, law firm or other professional institution to assist in its works at the expenses of the Company; and

(x) other duties and powers stipulated by the laws, administrative regulations, departmental rules and the Articles of Association or authorized by the Shareholders' general meetings.

The supervisors may attend the meetings of the Board of Directors.

If necessary, the Board of Supervisors may engage law firms or accounting firms to assist their work, with expenses borne by the Company.

General Manager

The Company shall have one General Manager who shall be nominated by the Chairman of the Board of Directors and appointed or dismissed by the Board. The General Manager of the Company shall be responsible to the Board and exercise the following functions and powers:

(i) to be in charge of the Company's production, operation and R&D management, and to report the work to the Board;

(ii) to organize the implementation of the resolutions of the Board, and to organize the implementation of the Company's annual operation plans and investment schemes;

(iii) to formulate the structure scheme of the internal department of our Company;

(iv) to formulate the Company's basic management system;

(v) to formulate the Company's specific regulations;

(vi) to propose to the Board of Directors about the appointment or dismissal of the Company's senior management other than the secretary to the board;

(vii) to appoint or dismiss other personnel except those who shall be appointed or dismissed by the Board of Directors;

(viii) to determine the remuneration, benefits, reward and punishment policies and programs of employees other than senior management;

(ix) functions and powers granted by the General Manager Working Rules;

(x) other functions and powers granted by the Articles of Association or the Board.

General Manager of the Company shall attend meetings of the Board of the Directors, and, if he/she is not a Director, shall not have any voting rights at Board meetings.

Articles in relation to Hostile Takeovers

"Hostile takeover" refers to the acquirer and/or the persons acting in concert with it purchasing the shares of the Company through ways including but not limited to buying from the secondary market, under contract, through foreclosure auction and by undisclosed persons acting in concert, without notifying the Board of Directors in writing and obtaining the approval from the Board of Directors, with the intention of gaining control of the Company or having significant influence over its decisions. In the event of disagreement as to whether a takeover is a hostile takeover as described in the Articles of Association, the Board of Directors has the right to review the matter and form a resolution. The determination of the Board by ordinary resolution on whether a takeover constitutes a hostile takeover as described in the Articles of Association shall be final. If the securities regulatory authority defines "hostile takeover" in the future, the scope of hostile takeover defined in the Articles of Association shall be adjusted according to the provisions of the securities regulatory authority.

In the event of the occurrence of a hostile takeover as defined under the Articles of Association, in order to ensure the stable business of the Company after the takeover and maintain long-term interests of the Company and all Shareholders, any Director candidates (except independent Directors) nominated by the acquirer and/or the persons acting in concert with it in addition to having professional abilities and knowledge to perform their duties thereof, should have served as a director or senior management for more than five years in a large-scale company whose principal business is the same as that of the Company. The candidates nominated by the acquirer and/or the persons acting in concert with the acquirer shall be present in person at the Shareholders' general meeting or the Board of Directors when their proposals for employment are considered, to explain his/her qualifications, professional ability, working experience, violation of laws and regulations, conflict of interest with the Company, relationship with controlling shareholders, actual controllers and other Directors, Supervisors and senior management personnel of the Company etc.

Unless otherwise provided for by laws and regulations, when the term of office of the Board of Directors expires or is re-elected in advance, at least two-thirds of the former members of the board of directors shall be re-elected, and the number of Directors replaced by the company shall not exceed one-third of the total number of Directors in every thirty-six consecutive months.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDIT

Finance and Accounting Systems

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations, departmental rules and the requirements of the relevant governmental authorities.

In addition to the PRC accounting standards and regulations, the financial statements of the Company shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the Company's shares are listed. Any material discrepancy between the financial statements prepared in accordance with two different accounting standards shall be provided in the notes to the financial statements. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two financial reports, whichever is lower shall prevail.

Our Company shall make its financial reports available at our Company for inspection by the Shareholders 20 days before the annual general meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report.

Unless otherwise provided in the Articles of Association of the Company, under the premise of complying with laws, administrative regulations, departmental rules and relevant regulations of the securities regulatory authority in the place where the Company's stocks are listed, the Company may adopt the method of announcement (including publication through the Company's website and/or newspaper publication).

Interim results or financial information published or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations as well as international accounting standards or the accounting standards of the overseas area where the Company's shares are listed.

The Board shall submit financial reports prepared by the Company as required by applicable laws, administrative regulations, regulatory documents of any local government and competent authority in each annual general meeting.

The interim financial report shall be published within 60 days from the end of the first six months of the financial year. The annual financial report shall be published within 120 days from the end of the financial year. If there is any requirement of the securities regulatory authority in the place where the Company's shares are listed, such requirement shall apply.

The Company shall not keep accounts other than those required by laws. The assets of the Company shall not be kept under the name of any individuals.

Reserves

In the distribution of the profit after tax of the year, 10% of the profit shall be contributed to statutory reserve of the Company. When the aggregate statutory reserve of the Company has reached 50% or more of the registered capital, the Company may cease to make further contribution.

Where the statutory reserve is insufficient to recover the losses for the previous year, the losses shall be made up by the profits of that year before contributing to the statutory reserves as stipulated above.

Subject to the resolution of Shareholders' general meeting, the Company may also appropriate funds to discretionary surplus reserve from profit after tax upon the appropriate of fund to statutory reserve.

The Company may distribute profits after tax in accordance with the proportion of shareholdings after making up for losses and making allocations to reserves.

If the Shareholders' general meeting violates the above provisions and profits are distributed to the Shareholders before the Company making up for losses and making allocations to the statutory reserve, the profits distributed in violation of the provisions shall be returned to our Company by such Shareholders.

The shares held by our Company itself shall not be subject to profit distribution.

Our Company's reserves must be used only for offsetting losses of our Company, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset losses of our Company.

Where the statutory reserve converses into capital, the remaining statutory reserve shall not be less than 25% of the registered capital of our Company before such conversion.

Dividends and Other Methods of Profit Distribution

The Company may distribute dividends in cash, in Shares or in combination of cash and Shares and shall distribute dividends in cash when the cash dividend requirements are satisfied.

After the Shareholders' general meeting of our Company has resolved on the dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the Shareholders' general meeting.

Forfeiture of Shares

Our Company may terminate sending dividend coupons by mail to any H share shareholders. However, the said termination can only be made if the dividend coupons are not cashed for consecutive two times or the dividend coupons cannot be delivered to the receiver and returned thereof.

In compliance with the conditions indicated below, our Company is entitled to dispose of the Shares held by H share shareholders whom we fail to contact for the first time in accordance with appropriate manner as considered by the Board of Directors:

(i) our Company has paid dividends at least three times on these Shares within 12 years, but no one has claimed the dividends during that period;

(ii) upon expiration of the 12-year period, our Company publishes an announcement in one or more newspaper of our Company's listing place, indicating our intention to sell the Shares and notifies the stock exchange where such Shares are listed of such intention.

Internal Audits

The Company shall adopt an internal audit system and designate auditors to supervise the internal audits of incomes and expenses as well as the business activities of the Company.

The internal audit system of the Company and the duties of auditors shall come into effect upon the approval of the Board of Directors. The person in charge of audits shall be accountable to and report to the Board of Directors.

Appointment and Dismissal of Accounting Firm

The Company shall appoint an independent accounting firm which is qualified in conducting securities-related business to audit the financial statements, verify the net assets and provide other relevant consultancy services. The accounting firm appointed by the Company shall hold office for a period of one year from the conclusion of each annual general meeting to the end of next annual general meeting, subject to renewal.

The accounting firm employed by the Company must be determined by the Shareholders' general meeting. The Board may not appoint an accounting firm before the decision of the Shareholders' general meeting, except as provided in the Articles of Association. The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the Shareholders' general meeting. The remuneration of the accounting firm employed by the Board shall be determined by the Board.

Notwithstanding the terms set out in the contract between the Company and the accounting firm, Shareholders' general meeting may, by way of ordinary resolution, remove the accounting firm before the expiration of its term of office, but the compensation rights against our Company by the relevant accounting firm due to dismissal shall not be affected thereof.

If the position of an appointed accounting firm is vacant, the Board of Directors may appoint an accounting firm before the start of Shareholders' general meeting, provided that such appointment shall be confirmed by the next Shareholders' general meeting. However, if during the vacant period, our Company has other incumbent accounting firm, such accounting firm may still perform.

A prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment. The accounting firm shall be entitled to make representations when the resolution regarding the removal of the accounting firm is voted at the Shareholders' general meeting.

Procedures for Liquidation

The Company shall be dissolved and liquidated for the following reasons:

- the expiration of the business period or other reasons for dissolution specified in the Articles of Association;
- a resolution on dissolution is passed by more than two-thirds of the voting rights held by the shareholders present at the meeting at the Shareholders' general meeting;
- dissolution is required due to the merger or division of the Company;
- the Company is declared bankrupt due to its failure to repay debt due;
- the business license of the Company is revoked or the Company is ordered to close down or deregistered according to applicable law and administrative regulations;
- where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss in Shareholders' interests, and no solution can be found through any other channel, Shareholders holding 10% or more (including 10%) of the total voting rights of the Company may request the People's Court to dissolve the Company;

- other causes of dissolution set out in the Articles of Association have occurred.

Upon the occurrence of the first situation described above, the Company may continue to exist by amending the Articles of Association. If the Company is being dissolved under the first, second or sixth circumstance described above, a liquidation group shall be set up within 15 days from the date of the cause of dissolution occurred to carry out the liquidation. The liquidation group consists of the personnel determined by the Directors or by the Shareholders' general meeting. If a liquidation group is not set up within the specified period, the creditors may apply to the People's Court for appointment of relevant persons to form a liquidation group to carry out the liquidation.

If the Company is dissolved due to the occurrence of the fourth circumstance described above, the People's Court shall, in accordance with the provisions of relevant laws, organize shareholders, relevant authorities and relevant professionals to form a liquidation group to carry out liquidation.

If the Company is dissolved due to the occurrence of the fifth circumstance described above, the relevant regulatory authority shall organize shareholders, relevant agencies and professionals to establish a liquidation group pursuant to relevant provisions of the law.

If the Board of Directors decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board of Directors shall state in the notice of the Shareholders' general meeting convened for this purpose that the Board of Directors has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the commencement of the liquidation.

After the resolution to liquidate our Company is adopted by the Shareholders' general meeting, the powers of the Board of Directors shall terminate immediately.

In accordance with the instructions of the Shareholders' general meeting, the liquidation group shall at least once a year report at the Shareholders' general meeting on the income and expenditure of the liquidation group, progress of the business and liquidation of our Company, and submit a final report at the Shareholders' general meeting upon completion of liquidation.

The liquidation group shall perform the following duties during the liquidation:

- to check the assets of the Company and prepare a balance sheet and an inventory of assets;

- to notify the creditors by notice or announcement;

- to deal with the outstanding affairs of the Company connected with the liquidation;

- to settle outstanding taxes as well as taxes arising in the course of liquidation;

- to settle all creditors' rights and debts;
- to dispose of the remaining assets of the Company after the settlement of debts;
- to represent the Company in any civil proceedings.

The liquidation group shall notify the creditors within 10 days from the date of its establishment and make public announcement in newspapers or through other channels within 60 days of its establishment. Creditors shall report their claims to the liquidation group within 30 days after receipt of the notice, or within 45 days from the date of the announcement if they do not receive the notice.

Creditors shall provide explanation for the relevant particulars and evidence of the claims upon declaration of such claims. The liquidation group shall register the creditors' claims. During the period for declaration of claims the liquidation group shall not make any repayment to creditors.

After checking the assets of the Company and preparing a balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan for the confirmation of Shareholders' general meetings or the People's Court.

The remaining assets of the Company, after payment of liquidation expenses, wages, social insurance contribution and statutory compensation, and taxes and debts of the Company, shall be distributed to Shareholders according to the class and proportion of their shareholdings.

During the liquidation period, the Company shall continue to exist but shall not carry out any business activities not relating to liquidation. The assets of the Company shall not be distributed to shareholders before the settlement of debts in accordance with the preceding paragraph.

If the liquidation group, after checking the assets of the Company and preparing a balance sheet and an inventory of assets, discovers that the Company's assets are insufficient to settle its debts, it shall immediately apply to the People's Court for a declaration of bankruptcy. After our Company is declared bankrupt by ruling of the people's court, the liquidation group shall hand over the liquidation matters to the People's Court.

Upon completion of liquidation, the liquidation group shall prepare a liquidation report and a statement of the receipts and payments and the financial accounts for the liquidation period which shall have been audited by PRC certified public accountants for the confirmation of the Shareholders' general meeting or the People's Court. The liquidation group shall submit the aforesaid documents to the company registration authority, apply for cancelation of registration of the Company, and announce the closure of the Company within 30 days after confirmation is obtained from the Shareholders' general meeting or the people's court.

Amendments of the Articles of Association

Our Company may amend the Articles of Association based on the provisions of the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed and Articles of Association.

In any of the following circumstances, our Company shall amend the Articles of Association:

(i) if upon amendments to the Company Law, relevant laws, administrative regulations, departmental rules or listing rules of the stock exchange of the place where the Company's Shares are listed any terms contained in the Articles of Association become inconsistent with the provisions abovementioned;

(ii) a change in our Company causes inconsistency with those contained in the Articles of Association; or

(iii) a resolution being passed by the Shareholders' general meeting to amend our Articles of Association.

Where the amendments to the Articles of Association passed by the Shareholders' general meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

Settlement of Disputes

The Company shall follow the following rules for settlement of disputes:

(i) Whenever there occur any dispute or claim between H Shareholders and our Company, H Shareholders and our Company's Directors, Supervisors, General Manager or other senior management, or H Shareholders and Shareholders of domestic Shares regarding the rights or obligations relating to the affairs of our Company conferred or imposed by the Articles of Association, the Company Law or any other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration.

   Where the aforesaid dispute or claim of rights is referred to arbitration, the entire claim or the dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts giving rise to the dispute or the claim or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company or a Shareholder of our Company, a Director, a Supervisor, General Manager or other senior management.

   Disputes in relation to the definition of Shareholders and disputes in relation to the register of Shareholders need not be resolved by arbitration;

(ii) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its Arbitration Rules or the Hong Kong International Arbitration Centre ("**HKIAC**") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If a claimant elects for arbitration at HKIAC, any party to the dispute or claim may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC;

(iii) The laws of the PRC are applicable to the arbitration for the disputes or claims of rights referred to in paragraph (i) above, unless otherwise provided in the laws, administrative regulations and departmental regulations;

(iv) The award of an arbitration body shall be final and conclusive and shall be binding on all parties;

(v) The said arbitration agreement is reached between the Directors or senior management and the Company, with the Company representing both itself and each of its Shareholders;

(vi) Any arbitration submitted shall be deemed as authorizing the arbitration tribunal to conduct public hearing and announce the arbitration award.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

Our Company was established in the PRC as a limited liability company on July 12, 2012 and was converted into a joint stock company with limited liability on August 4, 2015. Since August 10, 2020, our A Shares have been listed on SSE STAR Market with the stock code of 688339. Our registered office is located at Room C701, 7th Floor, Block C, Building B-6, Dongsheng Science Park, Zhongguancun, No. 66 Xixiaokou Road, Haidian District, Beijing, China.

We have established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong and has registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 31, 2022. Tsang Man Kuen has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this prospectus respectively.

B. Changes in the Share Capital of Our Company

Save as disclosed in the section headed "History, Development and Corporate Structure", there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

Upon completion of the Global Offering, but without taking into account any exercise of the Over-allotment Option, our registered share capital will increase from RMB99,891,387 to RMB117,519,387, comprising 99,891,387 A Shares and 17,628,000 H Shares fully paid up, representing approximately 85.00% and 15.00% of our total issued share capital, respectively.

C. Shareholders' Resolutions of our Company

Pursuant to the Shareholders' meeting held on December 16, 2021, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the Over-allotment Option shall not exceed 15% of the enlarged share capital of our Company upon completion of the Global Offering and granting the Underwriters the Over-allotment Option of no more than 15% of the above number of H Shares to be issued;

(c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on the Listing Date; and

(d) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

D. Changes in the Share Capital of Our Subsidiaries

The following alterations in the share capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus:

(a) Zhengzhou SinoHytec Power Technology Co., Ltd. (鄭州億華通動力科技有限公司)

Zhengzhou SinoHytec Power Technology Co., Ltd. was incorporated in the PRC on August 4, 2022 with a total registered capital of RMB50,000,000. It is a wholly-owned subsidiary of our Company.

(b) Beijing Future Hydrogen Valley Technology Co., Ltd. (北京未來氫谷科技有限公司)

In July 2022, the registered capital of Beijing Future Hydrogen Valley Technology Co., Ltd. was increased from RMB30,000,000 to RMB101,000,000. It is a wholly-owned subsidiary of our Company.

(c) Tangshan SinoFuelCell Co., Ltd. (唐山神力科技有限公司)

Tangshan SinoFuelCell Co., Ltd. was incorporated in the PRC on June 23, 2022 with a total registered capital of RMB30,000,000. It is an indirect non-wholly owned subsidiary of our Company.

(d) Shanghai SinoFuelCell

In December 2021, the registered capital of Shanghai SinoFuelCell was increased from RMB67,908,861 to RMB84,952,654.

(e) Beijing Shenchuan Technology Co., Ltd. (北京神椽科技有限公司)

Beijing Shenchuan Technology Co., Ltd. was incorporated in the PRC on August 18, 2021 with a total registered capital of RMB10,000,000. It is an indirect non-wholly owned subsidiary of our Company.

(f) Tangshan Qianchen New Energy Development Co., Ltd. (唐山謙辰新能源發展有限公司)

Tangshan Qianchen New Energy Development Co., Ltd. was incorporated in the PRC on July 29, 2021 with a total registered capital of RMB50,000,000. It is owned as to 80% by our Company.

(g) Hubei Guochuang Hydrogen Power Technology Co., Ltd. (湖北國創氫能動力科技有限公司)

Hubei Guochuang Hydrogen Power Technology Co., Ltd. was incorporated in the PRC on June 9, 2021 with a total registered capital of RMB100,000,000. It is owned as to 50% by our Company.

Save as disclosed above, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

E. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, see "Appendix V — Summary of the Articles of Association".

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contract(s) (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus, which is or may be material:

(a) the share subscription agreement (股份認購協議) dated June 23, 2021 entered into between our Company and UBS AG in relation to the subscription by UBS AG of 361,671 Shares for a consideration of RMB84,999,918.42;

(b) the share subscription agreement (股份認購協議) dated June 24, 2021 entered into between our Company and JPMorgan Chase Bank, National Association in relation to the subscription by JPMorgan Chase Bank, National Association of 127,648 Shares for a consideration of RMB29,999,832.96;

(c) the share subscription agreement (股份認購協議) dated June 24, 2021 entered into between our Company and Morgan Stanley & Co. International plc (摩根士丹利國際股份有限公司) in relation to the subscription by Morgan Stanley & Co. International plc of 63,826 Shares for a consideration of RMB15,000,386.52;

(d) the share subscription agreement (股份認購協議) dated June 24, 2021 entered into between our Company and Weifang Beiqi New Kinetic Energy Conversion Venture Capital Fund Partnership (L.P.) (濰坊北汽新動能轉換創業投資基金合夥企業(有限合夥)) in relation to the subscription by Weifang Beiqi New Kinetic Energy Conversion Venture Capital Fund Partnership (L.P.) of 297,846 Shares for a consideration of RMB69,999,766.92;

(e) the cornerstone investment agreement dated December 16, 2022 entered into between our Company, Astonish Investment Pte. Ltd., Guotai Junan Capital Limited, Giraffe Capital Limited and Guotai Junan Securities (Hong Kong) Limited, pursuant to which Astonish Investment Pte. Ltd. agreed to subscribe for such number of H Shares that may be purchased with HK$232,000,000 at the Offer Price, rounded down to the nearest whole board lot of 50 H Shares;

(f) the cornerstone investment agreement dated December 19, 2022 entered into between our Company, Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Great Bay Investment SP, Guotai Junan Capital Limited, Giraffe Capital Limited and Guotai Junan Securities (Hong Kong) Limited, pursuant to which Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Great Bay Investment SP agreed to subscribe for such number of H Shares that may be purchased with HK$155,626,000 at the Offer Price, rounded down to the nearest whole board lot of 50 H Shares; and

(g) the Hong Kong Underwriting Agreement.

B. Our Material Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, our Group has registered the following key trademarks which are material to the business of our Group:

No.	Trademark	Place of registrations	Registration number	Class(es)	Registration date	Expiry date	Name of registered proprietor
1.	亿华通	PRC	21238098	7	November 7, 2017	November 6, 2027	Our Company
2.	SinoHytec	PRC	21237929	7	November 7, 2017	November 6, 2027	Our Company
3.		PRC	21237980	7	July 28, 2018	July 27, 2028	Our Company
4.		PRC	39779337	7	October 7, 2020	October 6, 2030	Shanghai SinoFuelCell

No.	Trademark	Place of registrations	Registration number	Class(es)	Registration date	Expiry date	Name of registered proprietor
5.	SinoHytec	Hong Kong	305758138	9	September 28, 2021	September 27, 2031	Our Company
6.		Hong Kong	305758110	9	September 28, 2021	September 27, 2031	Our Company
7.	亿华通	Hong Kong	305758129	9	September 28, 2021	September 27, 2031	Our Company
8.	亿华通 SinoHytec 亿华通 SinoHytec	Hong Kong	305758147	9	September 28, 2021	September 27, 2031	Our Company

Patents

As of the Latest Practicable Date, our Group had registered the following key patents in relation to the business of our Group as a whole:

No.	Patent Registered	Place of Registration	Expiration Date
1.	A continuous production line of soft graphite bipolar plate for fuel cell (一種燃料電池用軟石墨雙極板的連續生產流水線)	PRC	December 9, 2025
2.	A polling production line of flexible graphite unipolar plate for fuel cell (一種燃料電池用柔性石墨單極板的滾壓生產流水線)	PRC	December 9, 2025
3.	A monolithic voltage acquisition device for fuel cell stack (一種燃料電池電堆單片電壓採集裝置)	PRC	December 28, 2027
4.	Bipolar plate structure of fuel cell (燃料電池的雙極板結構)	PRC	December 28, 2027
5.	Packaging structure for improving ventilation of fuel cell stack module (用於改善燃料電池電堆模塊通風的封裝結構)	PRC	December 28, 2027

No.	Patent Registered	Place of Registration	Expiration Date
6.	A fuel cell deflector plate conducive to reducing air resistance (一種有利於減少空氣阻力的燃料電池導流極板)	PRC	February 27, 2032
7.	An integrated operation system of medium and high temperature fuel cell (一種中高溫燃料電池集成運行系統)	PRC	December 23, 2033
8.	Air intake treatment system of fuel cell (燃料電池的進氣處理系統)	PRC	May 4, 2036
9.	A fast automatic processing system for fuel cell stack test data (一種用於燃料電池電堆測試數據快速自動處理系統)	PRC	December 27, 2037
10.	Fuel cell temperature control method and device (燃料電池溫度控制方法和裝置)	PRC	March 1, 2038
11.	A fast bonding device for bipolar plate of fuel cell (一種燃料電池雙極板快速黏接裝置)	PRC	May 16, 2038
12.	A self-learning control method for gas supply system (一種氣體供應系統自學習控制方法)	PRC	October 24, 2038
13.	Fuel cell plate forming method based on expanded graphite (基於膨脹石墨的燃料電池極板成型方法)	PRC	January 24, 2039
14.	An error diagnosis method for hydrogen storage cylinder of fuel cell hydrogen system (一種燃料電池氫系統的儲氫氣瓶故障診斷方法)	PRC	May 29, 2039
15.	A hydrogen fuelling error diagnosis method for fuel cell hydrogen system (一種燃料電池氫系統的加氫故障診斷方法)	PRC	May 29, 2039

No.	Patent Registered	Place of Registration	Expiration Date
16.	An error diagnosis method for fuel cell system (一種燃料電池系統故障診斷方法)	PRC	June 11, 2039
17.	A modular hydrogen fuel cell system for vehicle (一種模塊化車用氫燃料電池系統)	PRC	June 11, 2039
18.	A voltage regulator control method for fuel cell system (一種燃料電池系統的調壓器控制方法)	PRC	September 22, 2039
19.	Tooling, impregnation tank and vacuum pressure impregnation method for vacuum pressure impregnation (用於真空壓力浸漬的工裝、浸漬罐和真空壓力浸漬方法)	PRC	December 24, 2039
20.	A device and method for fuel cell start-stop acceleration lifespan test (一種燃料電池啟停加速壽命測試的裝置及方法)	PRC	December 29, 2039
21.	A low temperature self-starting method for fuel cell system (一種燃料電池系統低溫自啟動方法)	PRC	December 30, 2039
22.	Fuel cell stack and system, fuel cell vehicle and its water management method (燃料電池電堆及系統、燃料電池汽車及其水管理方法)	PRC	December 30, 2039
23.	A gas diffusion layer for fuel cell and its preparation method (一種燃料電池用氣體擴散層及其製備方法)	PRC	December 30, 2039
24.	A low temperature starting device and method for fuel cell system (一種燃料電池系統低溫啟動裝置及方法)	PRC	January 6, 2040

No.	Patent Registered	Place of Registration	Expiration Date
25.	Freeze-start control method of fuel cell vehicle (燃料電池車的冷啟動控制方法)	PRC	March 18, 2040
26.	A forming method of composite material electrode plate for fuel cell (一種燃料電池用複合材料極板的成型方法)	PRC	April 29, 2040
27.	A method for recovering proton exchange membrane and Pt from membrane electrode of waste fuel cell (一種從廢舊燃料電池膜電極中回收質子交換膜和Pt的方法)	PRC	January 28, 2041
28.	A fuel cell stack activation method (一種燃料電池電堆活化方法)	PRC	January 28, 2041
29.	Thermal management device, control method and storage medium for fuel cell (用於燃料電池的熱管理裝置、控制方法和存儲介質)	PRC	February 7, 2041
30.	A lifespan prediction and maintenance method for fuel cell system (一種燃料電池系統的壽命預測及維護方法)	PRC	February 22, 2041
31.	A fuel cell ejector with integrated flow measurement function and flow measurement method (一種集成流量測量功能的燃料電池引射器及流量測量方法)	PRC	February 25, 2041
32.	A control method and device of fuel cell system (一種燃料電池系統的控制方法和裝置)	PRC	May 9, 2041
33.	A calibration method of fuel cell thermal management system (一種燃料電池熱管理系統的標定方法)	PRC	May 20, 2041

No.	Patent Registered	Place of Registration	Expiration Date
34.	A purging control method and device for fuel cell system (一種燃料電池系統的吹掃控制方法和裝置)	PRC	May 24, 2041
35.	A control method of fuel cell system (一種燃料電池系統的控制方法)	PRC	May 24, 2041
36.	A fuel cell system and its operation control method (一種燃料電池系統及其運行控制方法)	PRC	June 24, 2041
37.	A fuel cell system and its anode hydrogen concentration evaluation method (一種燃料電池系統及其陽極氫氣濃度評估方法)	PRC	June 24, 2041
38.	A calculation method of internal parameters of fuel cell system (一種燃料電池系統內部參數計算方法)	PRC	July 1, 2041
39.	A method and device for controlling water content of fuel cell system (一種燃料電池系統的水含量的控制方法和裝置)	PRC	July 5, 2041
40.	A diversion structure and fuel cell system (一種導流結構及燃料電池系統)	PRC	May 10, 2041
41.	A rapid cooling method and device for fuel cell system (一種燃料電池系統快速降溫方法及裝置)	PRC	September 21, 2041
42.	Internal condition monitoring method and device of electrochemical device providing reactants externally (外部提供反應物的電化學裝置的內部狀態監測方法及裝置)	PRC	March 10, 2042
43.	A hydrogen impurity purification device for fuel cell (一種用於燃料電池的氫氣雜質淨化裝置)	PRC	March 22, 2042

No.	Patent Registered	Place of Registration	Expiration Date
44.	Ejector high-pressure nozzle and hydrogen ejector for fuel cell (用於燃料電池的引射器高壓噴頭及氫氣引射器)	PRC	April 5, 2042
45.	A hydrogen ejector for fuel cell (一種燃料電池用氫氣引射器)	PRC	April 6, 2042

Domain Names

As of the Latest Practicable Date, our Group has registered the following key domain names which are material to the business of our group:

No.	Domain Name	Name of Registered Proprietor	Expiration Date
1	sinohytec.com	Our Company	July 19, 2031
2	sl-power.com	Shanghai SinoFuelCell	June 5, 2027

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws of regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above and as required by the Articles, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

B. Remuneration of Directors and Supervisors

Save as disclosed in the sections headed "Directors, Supervisors and Senior Management" and "Appendix I — Accountants' Report — II. Notes to the Historical Financial Information — 13. Directors', Chief Executive's and Supervisors' Emoluments", no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of each of the three financial years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Save as disclosed below, immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company, once the Shares are listed on the Hong Kong Stock Exchange.

Interests in Shares of our Company

Name	Title	Nature of Interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class as of the Latest Practicable Date (%)	Approximate percentage of shareholding in the total share capital immediately after the Global Offering (assuming that the Over-allotment Option is not exercised) (%)
Mr. Zhang	Chairman of the Board, executive Director and general manager	Beneficial owner	A Shares	18,594,117	18.61	15.82
Mr. Wu Yong (吳勇先生)(Note)	Non-executive Director	Interest in controlled corporations	A Shares	5,634,115	5.64	4.79
Mr. Zhang He (張禾先生)	Chairman of the Supervisory Committee and shareholder Supervisor	Beneficial owner	A Shares	2,800,000	2.80	2.38
Ms. Song Haiying (宋海英女士)	Executive Director, deputy general manager and chief financial officer	Beneficial owner	A Shares	1,332,022	1.33	1.13
Ms. Dai Dongzhe (戴東哲女士)	Executive Director and deputy general manager	Beneficial owner	A Shares	207,822	0.21	0.18

Note:

Shuimu Chuangxin is the general partner for each of Shuimu Sail Venture, Shuimu Changfeng and Shuimu Yuanjing. As of the Latest Practicable Date, Shuimu Sail Venture, Shuimu Changfeng and Shuimu Yuanjing held approximately 2.62%, 1.70% and 1.31% equity interest of our Company, respectively. Mr. Wu Yong is the general partner of Shuimu Chuangxin, which is owned as to 10% and 80% by Mr. Wu Yong and Gongqingcheng Shuimu Guoxin Venture Capital Management Center (L.P.) (共青城水木國信創業投資管理中心(有限合夥)) ("**Shuimu Guoxin**"), respectively. Shuimu Guoxin is owned as to approximately 54.55% by Mr. Wu Yong. Therefore, Mr. Wu Yong is deemed to be interested in the Shares held by each of Shuimu Sail Venture, Shuimu Changfeng and Shuimu Yuanjing by virtue of the SFO.

Interests in Associated Corporations of our Company

Name	Our associated corporation	Nature of interest	Approximate percentage of equity holding (%)
Ms. Song Haiying(1)	Zhangjiakou Haiper	Interest in controlled corporation	11.37
Mr. Wu Yong(2)	Zhangjiakou Haiper	Interest in controlled corporation	3.79
Mr. Wu Yong(2)	Shanghai SinoFuelCell	Interest in controlled corporation	10.87

Notes:

(1) As of the Latest Practicable Date, Zhangjiakou Qindahang Technology Partnership (L.P.) (張家口勤達行科技合夥企業(有限合夥)("**Zhangjiakou Qindahang**") held approximately 11.37% equity interest of Zhangjiakou Haiper. Zhangjiakou Qindahang is held as to 80% by Ms. Song Haiying. Therefore, Ms. Song Haiying is deemed to be interested in the equity interest held by Zhangjiakou Qindahang by virtue of the SFO.

(2) Shuimu Chuangxin is the general partner for Shuimu Sail Venture and Shuimu Yuanjing. As of the Latest Practicable Date, Shuimu Sail Venture held approximately 3.79% equity interest of Zhangjiakou Haiper, and Shuimu Sail Venture and Shuimu Yuanjing held approximately 7.78% and 3.09% equity interest of Shanghai SinoFuelCell, respectively. Mr. Wu Yong is the general partner of Shuimu Chuangxin, which is owned as to 10% and 80% by Mr. Wu Yong and Shuimu Guoxin. Shuimu Guoxin is owned as to approximately 54.55% by Mr. Wu Yong. Therefore, Mr. Wu Yong is deemed to be interested in the equity interest held by Shuimu Sail Venture and Shuimu Yuanjing by virtue of the SFO.

As of the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of our associated corporations.

B. Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see "Substantial Shareholders".

Interests of substantial shareholders in members of our Group (excluding our Company)

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of equity holding (%)
Shanghai SinoFuelCell	RMB84,952,654	Shenchuangtou Manufacturing	13.06
Shanghai SinoFuelCell	RMB84,952,654	Shuimu Chuangxin[(1)]	10.87
Shanghai SinoFuelCell	RMB84,952,654	Shanghai Shenjie[(2)]	10.81
Chengdu Guoqinghuatong Technology Co., Ltd. (成都國氫華通科技有限公司)	RMB40,000,000	Chengdu Hydrogen Blue Technology Co., Ltd. (成都氫藍科技有限公司)	30.00
Hubei Guochuang Hydrogen Power Technology Co., Ltd. (湖北國創氫能動力科技有限公司)	RMB100,000,000	Wuhan Bus Manufacturing Co., Ltd. (武漢客車製造股份有限公司)	30.00
Hubei Guochuang Hydrogen Power Technology Co., Ltd. (湖北國創氫能動力科技有限公司)	RMB100,000,000	Xiamen Jinlong United Automobile Industry Co., Ltd (廈門金龍聯合汽車工業有限公司)	20.00
Tangshan Qianchen New Energy Development Co., Ltd. (唐山謙辰新能源發展有限公司)	RMB50,000,000	Tangshan Jishun Qianmu New Energy Development Co., Ltd. (唐山冀順謙牧新能源發展有限公司)	20.00

Notes:

(1) Shuimu Chuangxin is the general partner for each of Shuimu Sail Venture and Shuimu Yuanjing. As of the Latest Practicable Date, Shuimu Sail Venture and Shuimu Yuanjing held approximately 7.78% and 3.09% equity interest of Shanghai SinoFuelCell, respectively. Mr. Wu Yong, our non-executive Director is the general partner of Shuimu Chuangxin, which is owned as to 10% and 80% by Mr. Wu Yong and Shuimu Guoxin, respectively. Shuimu Guoxin is owned as to approximately 54.55% by Mr. Wu Yong. Therefore, each of Mr. Wu Yong, Shuimu Guoxin and Shuimu Chuangxin shall be deemed to be interested in the equity interest held by each of Shuimu Sail Venture and Shuimu Yuanjing by virtue of the SFO.

(2) Shanghai Shenjie is held as to 40% by Ms. Tu Ying, 30% by Mr. Zhang He, our Supervisor, and 30% by Mr. Gan Quanquan, Ms. Tu Ying and Mr. Zhang He are directors of Shanghai SinoFuelCell, while Mr. Gan Quanquan is an employee of Shanghai SinoFuelCell.

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or experts (as named under the paragraph headed "5. Other Information — F. Qualification of Experts" in this Appendix) has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

B. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

C. Joint Sponsors

Guotai Junan Capital does not satisfy the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules because Guotai Junan Securities Co., Ltd., which is a controlling shareholder of the indirect holding company of Guotai Junan Capital, had provided sponsorship services to our Company in connection with our A Share Offering, and since August 2020, after our A Share Offering, Guotai Junan Securities Co., Ltd. has been providing continuous supervisory services to our Company.

Giraffe Capital Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letters entered into between our Company and the Joint Sponsors, we have agreed to pay the Joint Sponsors a total fee of HK$9,000,000 to act as the sponsors of our Company in connection with the proposed listing on the Stock Exchange.

D. Preliminary Expenses

We have not incurred any material preliminary expense.

E. Promoters

Information of our promoters as of the time of our Company's conversion into a joint stock company in June 2015 is as follows:

No.	Name
1.	Mr. Zhang
2.	Mr. Zhang He
3.	Shuimu Sail Venture
4.	Shuimu Changfeng
5.	Beijing Shuimu Zhancheng Investment Center (L.P.) (北京水木展程投資中心(有限合夥))
6.	Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司)
7.	Mr. Zhou Pengfei
8.	Beijing Shuimu Qicheng Venture Capital Center(L.P.) (北京水木啓程創業投資中心(有限合夥))
9.	Mr. Zhou Yicong (周一聰先生)
10.	Shanghai Manlu Investment Management Partnership (L.P.) (上海曼路投資管理合夥企業(有限合夥))
11.	Ms. Xiao Zhen (肖震女士)

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

F. Qualification of Experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
Guotai Junan Capital Limited	Licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Giraffe Capital Limited	Licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Moore Stephens CPA Limited	Certified Public Accountants, Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Beijing DeHeng Law Offices	PRC legal advisors to our Company as to PRC law
China Insights Industry Consultancy Limited	Independent industry consultant

G. Consents of Experts

Each of the experts named in the paragraph headed "5. Other Information — F. Qualification of Experts" in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

H. Taxation of H Shareholders

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.30 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

I. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

J. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in "Appendix I — Accountants' Report — II. Notes to the Historical Financial Information — 41. Related Party Transactions."

K. Agency Fees or Commissions Received

Save as disclosed in the section headed "Underwriting" in this prospectus and save for the underwriting commissions paid to the underwriters in relation to the A Share Offering as disclosed in the section headed "History, Development and Corporate Structure — Our Major Changes in Share Capital and Shareholdings" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries within the two years immediately preceding the date of this prospectus.

Save for the commission paid to the underwriters in relation to the issuance of the non-public offering of 850,991 A Shares in August 2021 as disclosed in the section headed "History, Development and Corporate Structure — Our Major Changes in Share Capital and Shareholdings" in this prospectus, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company within the two years immediately preceding the date of this prospectus.

L. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

  (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued, or is proposed to be fully or partly paid either for cash or a consideration other than cash; and

  (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our A Shares which are listed on SSE STAR Market and the H Shares to be issued in connection with the Global Offering, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) our Company does not currently intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

M. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company since June 30, 2022 and up to the Latest Practicable Date.

N. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, (a) a copy of the **GREEN** Application Form; (b) a copy of each of the written consents referred to in the paragraph headed "5. Other Information — G. Consents of Experts" in Appendix VI to this prospectus; and (c) a certified copy of each of the material contracts referred to in the paragraph headed "2. Further Information About Our Business — A. Summary of Our Material Contracts" in Appendix VI to this prospectus.

DOCUMENTS ON DISPLAY

The following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.sinohytec.com**) up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountant's report and the report in relation to the unaudited interim financial information of our Group issued by Moore Stephens CPA Limited, the texts of which are set out in Appendix I and Appendix IA to this prospectus, respectively;

(c) the audited consolidated financial statements of our Group for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022;

(d) the report in relation to unaudited pro forma financial information of our Group issued by Moore Stephens CPA Limited, the text of which is set out in Appendix II to this prospectus;

(e) the legal opinion prepared by Beijing DeHeng Law Offices, our legal advisors as to PRC law, in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(f) the industry report prepared by China Insights Industry Consultancy Limited;

(g) the material contracts referred to in the paragraph headed "2. Further Information About Our Business — A. Summary of Our Material Contracts" in Appendix VI to this prospectus;

(h) the written consents referred to in the paragraph headed "5. Other Information — G. Consents of Experts" in Appendix VI to this prospectus;

(i) the service contracts and letters of appointment referred to in the paragraph headed "3. Further Information About Our Directors and Supervisors — A. Particulars of Directors' and Supervisors' Contracts" in Appendix VI to this prospectus;

(j) the PRC Company Law, the Special Regulations and the Mandatory Provisions together with their unofficial English translations; and

(k) the SSE STAR Market Listing Rules, together with an unofficial English translation.

北京億華通科技股份有限公司

Beijing SinoHytec Co., Ltd.