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Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd.

國鴻氫能科技(嘉興)股份有限公司

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

(Stock Code: 9663)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

ANNUAL RESULTS HIGHLIGHT OF 2023

- Total revenue for the Reporting Period was approximately RMB700.6 million, representing a year-on-year decrease of approximately 6.4%;
- Gross profit for the Reporting Period was approximately RMB175.8 million, representing a year-on-year increase of approximately 10.7%;
- Loss attributable to owners of the Company for the Reporting Period were approximately RMB404.4 million, while loss attributable to owners of the Company for the Previous Period was approximately RMB273.4 million;
- Basic loss per share for the Reporting Period was approximately RMB0.95, while basic loss per share for the Previous Period was approximately RMB0.72; and
- No dividends were declared for the Year.

The board (the “**Board**”) of directors (the “**Directors**”) of Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd. (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (the “**Group**”, “**we**” or “**us**”) for the year ended 31 December 2023 (the “**Reporting Period**” or the “**Year**”) together with the comparative figures for the year ended 31 December 2022 (the “**Previous Period**”) as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
Revenue	3,4	700,616	748,475
Cost of sales	5	(524,866)	(589,672)
– Cost of sales of goods and services		(503,656)	(546,365)
– Impairment loss of inventory		(21,210)	(43,307)
Gross profit		175,750	158,803
Selling expenses	5	(59,325)	(49,279)
Research and development expenses	5	(151,122)	(91,815)
Administrative expenses	5	(249,689)	(181,385)
Net impairment losses on financial assets and contract assets		(164,395)	(98,144)
Other income	6	11,685	14,424
Other gains/(losses) – net	7	38,231	(19,506)
Operating loss		(398,865)	(266,902)
Finance income	8	12,667	10,320
Finance costs	8	(10,125)	(17,111)
Finance income/(costs) – net		2,542	(6,791)
Share of losses of associates and joint ventures accounted for using the equity method		(40,094)	(19,986)
Loss before income tax		(436,417)	(293,679)
Income tax credit	9	28,795	13,452
Loss for the year		(407,622)	(280,227)
Loss for the year attributable to:			
– Owners of the Company		(404,447)	(273,416)
– Non-controlling interests		(3,175)	(6,811)
		(407,622)	(280,227)
Basic and diluted earnings per share for loss attributable to Shareholders of the Company (express in RMB per share)	10	(0.95)	(0.72)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Loss for the year		<u>(407,622)</u>	<u>(280,227)</u>
Other comprehensive loss			
Item that may be subsequently reclassified to profit or loss			
– Currency translation differences		<u>(332)</u>	<u>(318)</u>
Total comprehensive loss for the year		<u>(407,954)</u>	<u>(280,545)</u>
Total comprehensive loss for the year attributable to:			
– Owners of the Company		<u>(404,779)</u>	<u>(273,734)</u>
– Non-controlling interests		<u>(3,175)</u>	<u>(6,811)</u>
		<u>(407,954)</u>	<u>(280,545)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

		As at 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		694,173	474,566
Right-of-use assets		216,735	204,355
Intangible assets		27,315	24,869
Contract assets		52,088	41,128
Deferred income tax assets		47,136	16,390
Investments accounted for using the equity method		52,523	8,626
Financial assets at fair value through other comprehensive income		88,636	88,636
Financial assets at fair value through profit or loss	12	113,999	–
Trade and bills receivables	11	–	16,162
Other non-current assets		63,930	173,828
Total non-current assets		1,356,535	1,048,560
Current assets			
Inventories		281,754	379,692
Trade and bills receivables	11	1,543,022	1,147,070
Other receivables and prepayments		69,258	125,607
Financial assets at fair value through profit or loss	12	796,946	–
Financial assets at fair value through other comprehensive income		7,990	800
Restricted cash		203,302	–
Cash and cash equivalents		604,715	718,183
Total current assets		3,506,987	2,371,352
Total assets		4,863,522	3,419,912
Equity			
Equity attributable to owners of the Company			
Share capital	14	518,042	438,522
Share premium		3,657,827	2,300,891
Other reserves		46,426	62,252
Treasury shares reserve		–	(54,000)
Accumulated losses		(848,435)	(443,988)
		3,373,860	2,303,677
Non-controlling interests		17,000	(4,679)
Total Equity		3,390,860	2,298,998

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)*As at 31 December 2023*

		As at 31 December	
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Borrowings		38,500	82,900
Lease liabilities		37,846	16,585
Deferred income		86,595	23,646
Provisions		12,834	15,018
		<hr/>	<hr/>
Total non-current liabilities		175,775	138,149
		<hr/> <hr/>	<hr/> <hr/>
Current liabilities			
Trade and bill payables	<i>13</i>	773,700	510,726
Other payables and accruals		212,773	187,822
Contract liabilities		1,659	4,695
Current tax liabilities		773	8,486
Borrowings		265,631	197,400
Lease liabilities		28,486	27,714
Derivative financial instruments		–	38,950
Deferred income		5,156	4,301
Provisions		8,709	2,671
		<hr/>	<hr/>
Total current liabilities		1,296,887	982,765
		<hr/> <hr/>	<hr/> <hr/>
Total liabilities		1,472,662	1,120,914
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		4,863,522	3,419,912
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd., formerly known as Guangdong Sino-Synergy Hydrogen Energy Technology Co., Ltd. (“**the Company**”), was incorporated as a limited liability company on 30 June 2015 in Yunfu City, Guangdong Province, the People’s Republic of China (the “**PRC**”). The registered office of the Company is Room 501-2, Block No. 37, Hangzhou Bay New Economic Park, Port District, Jiaxing City, Zhejiang Province, PRC. On 22 March 2022, the Company was converted into a joint stock company with limited liability.

The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the research and development, production and sale of hydrogen fuel cell stacks and systems in the PRC. The single largest shareholder of the Company (together with other shareholders of the Company, the “**Shareholders**”) is Guangdong Hongyun Hydrogen Energy Technology Co., Ltd. (“**Hongyun Hydrogen Energy**”) which is controlled by the Mr. Chen Xiaomin (“**Mr. Chen**”), an executive Director and the chairman of the Company, through Foshan Huahui Technology Investment Partnership (Limited Partnership) (“**Huahui Technology**”) holding 99.99% equity interest in Hongyun Hydrogen Energy.

The Company’s H shares (the “**H Shares**”) have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 5 December 2023.

These consolidated financial statements are presented in thousands of Renminbi (“**RMB**”) unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2024.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board (“**IFRS Accounting Standards**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities that are measured at fair value through other comprehensive income (“**FVOCI**”) and financial assets at fair value through profit and loss (“**FVPL**”).

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2.2 New or amended standards or interpretations

- (a) A number of new or amended standards became applicable for the current reporting period. The adoption of these new standards and amendments did not have material impact on the Group's financial position or operating result and did not require retrospective adjustment.

		Effective for annual periods beginning on or after
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 1 (Amendments) and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IAS 12 (Amendments)	International Tax Reform – Pillar Two model rules	1 January 2023

- (b) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
IAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
IFRS 16 (Amendments)	Lease liability in a sale and leaseback	1 January 2024
IAS 7 and IFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
IAS 21 (Amendments)	Lack of exchangeability	1 January 2025
IAS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

Management has determined the operating segments based on the information reviewed by the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment. The chief operating decision maker has been identified as the executive Directors of the Company.

Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive Directors of the Company regard that there is only one segment which is used to make strategic decisions. Revenue and profit/(loss) before income tax are the measures reported to the executive Directors for the purpose of resources allocation and performance assessment.

All the non-current assets of the Group are physically located in the PRC. The geographical location of customers is based on the location at which the customers operate, and the revenue of the Group is almost all derived from operations in the PRC during the years ended 31 December 2023 and 2022.

(b) Information about major customers

External customers that have contributed over 10% of total revenue of the Group for the years ended 31 December 2023 and 2022 were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Company A	333,172	*
Foshan Feichi Automobile Technology Co., Ltd. ("Foshan Feichi")	80,535	165,060
Company B	*	256,366
Company C	*	156,460
Company D	*	16,372

* Less than 10% of the Group's revenue

As at 31 December 2023, Shanxi Meijin Energy Co., LTD. ("**Meijin Energy Holding**"), the controlling shareholder of Foshan Feichi, holds 3.86% of the Company. Foshan Feichi was owned as to 8.33% by Guangdong Foshan (Yunfu) Industrial Transfer Industrial Park Investment Development Co., Ltd. ("**Yunfu Industrial Park**"), one of our substantial Shareholders, and Foshan Feichi was owned as to 32.33% by Guangdong Hongyun High-Tech Investment Co., Ltd. ("**Hongyun High-Tech**"), which was in turn wholly owned by Foshan Automobile Transportation Group Co., Ltd. ("**Foshan Automobile Transportation**"). Mr. Chen is the chairman of both Hongyun High-Tech and Foshan Automobile Transportation.

4 REVENUE

Revenue mainly comprises proceeds from sales of hydrogen fuel cell systems, hydrogen fuel cell system components, hydrogen fuel cell stacks and others. An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 is as below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Sales of goods		
– Hydrogen fuel cell systems	681,259	732,482
– Hydrogen fuel cell system components	15,105	4,023
– Hydrogen fuel cell stacks	3,604	11,877
Others	648	93
	<u>700,616</u>	<u>748,475</u>

"Others" mainly include the provision of hydrogen fuel cell related technical development services to our downstream customers on an as-needed basis.

All of the Group's revenue was recognized at a point in time during years ended 31 December 2023 and 2022.

5 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	93,804	(23,574)
Raw materials and consumables used	403,437	546,945
Employee benefit expenses	235,300	177,939
Depreciation of property, plant and equipment	56,606	27,877
Depreciation of right-of-use assets	16,605	14,427
Amortization of intangible assets	5,809	5,424
Impairment losses on property, plant and equipment	–	15,437
Impairment of inventories	21,210	43,307
After-sales service fees	15,898	21,013
Professional service fees	23,841	20,953
Entertainment fees	15,161	12,133
Utilities	11,689	6,515
Travelling expenses	9,520	6,334
Cooperative research and development expenses	19,936	4,119
Marketing fees	12,650	3,932
Rental expenses	1,813	1,570
Auditors' remunerations		
– Audit services	3,173	808
– Non-audit services	–	94
Listing expenses	5,128	670
Others*	33,422	26,228
	<u>985,002</u>	<u>912,151</u>

* “Others” mainly include inspection and testing fees, office expenses, business tax and other transaction taxes, etc.

6 OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants and subsidies (a)		
– Received and recognized during the year	11,090	12,857
Rental income	–	1,334
Interest income from advance to related parties	–	107
Others	595	126
	<u>11,685</u>	<u>14,424</u>

(a) Government grants and subsidies mainly represented the government grants granted to the Group to promote its development and construction. There were no unfulfilled conditions or other contingencies attached to these grants.

7 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Decrease/(increase) of derivative financial instruments at fair value through profit or loss	38,950	(20,484)
Net fair value gains on FVPL	2,245	–
(Losses)/gains on disposals of property, plant and equipment	(13)	24
Gains on disposals of right-of-use assets	20	764
Donation	(278)	(120)
Net foreign exchange losses	(3,424)	(344)
Gains on disposal of a joint venture	–	100
Others	731	554
	<u>38,231</u>	<u>(19,506)</u>

8 FINANCE INCOME/(COSTS) – NET

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Finance income		
– Bank interest income	<u>12,667</u>	<u>10,320</u>
Finance costs		
– Interest expenses on borrowings	(14,561)	(18,170)
– Interest expenses on lease liabilities	(954)	(2,080)
– Amounts capitalized in construction in progress of property	<u>5,390</u>	<u>3,139</u>
	<u>(10,125)</u>	<u>(17,111)</u>
Finance income/(costs) – net	<u>2,542</u>	<u>(6,791)</u>

(a) The capitalization rate used to determine the amount of borrowing costs capitalized, which is the weighted average interest rate applicable to the Group's borrowings for the year ended 31 December 2023, was 5.45% per annum (2022: 5.60%).

9 INCOME TAX CREDIT

The amounts of income tax credit charged to profit or loss in the consolidated statements of profit or loss represent:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Current income tax	1,951	2,298
Deferred income tax	<u>(30,746)</u>	<u>(15,750)</u>
Income tax credit	<u>(28,795)</u>	<u>(13,452)</u>

(a) **PRC enterprise income tax (“EIT”)**

The enterprise income tax rate applicable to the Company’s entities located in Mainland China is 25% according to the Enterprise Income Tax Law of the PRC (the “**EIT Law**”) effective on 1 January 2008 unless these subject to preferential tax rate set out below.

The Company and Beijing Guohong Hydrogen Technology Co., Ltd., a subsidiary of the Group, were approved as “High and New Technology Enterprise”, and they were subject to a preferential corporate income tax rate of 15% for the years ended 31 December 2023 and 2022. The certificate of “High and New Technology Enterprise” is subject to renewal for each three-year intervals.

For the years ended 31 December 2023 and 2022, certain subsidiaries in the PRC were qualified as small and micro enterprises under the PRC CIT regime, which enjoyed a corporate income tax rate of 20%.

A subsidiary of the Group was subject to a preferential income tax rate of 15% as it was located in western development areas in the PRC.

(b) **Hong Kong profit tax**

Hong Kong Nation-Synergy Hydrogen Power Technology Co., Limited, a subsidiary of the Group incorporated in Hong Kong, is subject to Hong Kong profits tax at a rate of 16.5% for the years ended 31 December 2023 and 2022.

10 LOSSES PER SHARE

(a) **Basic losses per share**

Basic losses per share is calculated by dividing the loss attributable to the owners of the Company by weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022.

On 5 December 2023, the Company issued 79,520,000 ordinary shares through initial public offering.

	Year ended 31 December	
	2023	2022
Loss attributable to Shareholders of the Company (RMB'000)	(404,447)	(273,416)
Weighted average number of ordinary shares in issue ('000)	427,735	382,378
Basic losses per share (expressed in RMB per share)	<u>(0.95)</u>	<u>(0.72)</u>

On 22 March 2022, the Company was converted into a joint stock company. For the purpose of computing basic losses per share, ordinary shares were assumed to have issued and allotted on 1 January 2020 as if the Company has been converted from a limited liability company into a joint stock company by then based on 1 unit of paid-in capital is 1 unit of share.

Under the Phase I equity incentive scheme, Phase II equity incentive scheme and Phase III equity incentive scheme (collectively, the “**Share Incentive Scheme**”), 1,420,000 shares, 11,456,000 shares and 5,350,000 shares were granted to 17, 34 and 50 eligible employees, respectively, such shares are treated as treasury stock and excluded from the dominator of basic earnings per share. The cumulative number of beneficiaries of the Share Incentive Scheme is 88. As at 5 December 2023, the employees’ restricted share units were vested.

On 5 December 2023, the Company issued a total of 79,520,000 ordinary shares at the price of HKD19.66 per share by initial public offering to investors, and raised a total subscription amount of HKD1,563,363,200 (approximately RMB1,411,374,000), net of underwriting commission, in which RMB79,520,000 was included in the share capital, and RMB1,331,854,000 was included in the share premium.

(b) Diluted losses per share

For the years ended 31 December 2023 and 2022, the Group had potential dilutive shares throughout the years ended 31 December 2023 and 2022 related to the Share Incentive Scheme. Due to the Group's losses during the years ended 31 December 2023 and 2022, the Share Incentive Scheme has anti-dilutive effect on the Group's losses per share. Thus, diluted losses per share is equivalent to the basic losses per share.

11 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Current		
Trade receivables		
– due from third parties	<u>1,927,473</u>	<u>1,362,012</u>
Less: Allowance for expected credit losses	<u>(384,451)</u>	<u>(215,105)</u>
	<u>1,543,022</u>	<u>1,146,907</u>
Bills receivables	<u>–</u>	<u>163</u>
	<u>1,543,022</u>	<u>1,147,070</u>
	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current		
Trade receivables (a)		
– due from third parties	–	16,794
Less: allowance for expected credit losses	<u>–</u>	<u>(632)</u>
	<u>–</u>	<u>16,162</u>
	<u>1,543,022</u>	<u>1,163,232</u>

The Group applies the simplified approach to provide for expected credit losses which was a lifetime expected loss allowance for all trade receivable as prescribed by IFRS 9.

As at 31 December 2022, bills receivables of the Group were bank acceptance notes aged less than 1 year.

The majority of the Group's sales were on documents against payment. As at 31 December 2023 and 2022, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	778,983	816,856
1 to 2 years	701,297	416,708
2 to 3 years	381,081	110,981
3 to 4 years	66,112	34,261
	<u>1,927,473</u>	<u>1,378,806</u>

- (a) Non-current trade receivables represented the receivables from a customer who signed a contract with a credit period of more than 360 days.

The carrying values of trade and bills receivables approximated their fair values as at the balance sheet dates and were denominated in RMB.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Investment in wealth management products	<u>113,999</u>	—
Current		
Investment in wealth management products	<u>796,946</u>	—
	<u>910,945</u>	—

Movement of FVPL is analyzed as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year		
Additions	908,700	—
Changes in fair value (<i>Note 7</i>)	<u>2,245</u>	—
At end of the year	<u>910,945</u>	—

13 TRADE AND BILLS PAYABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– due to third parties	635,442	509,780
– due to related parties	–	946
Bills payables	138,258	–
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	773,700	510,726
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The carrying amounts of trade and bills payables approximated their fair values as at the balance sheet dates and were denominated in RMB.

As at 31 December 2023 and 2022, the ageing analysis of trade and bills payables of the Group based on invoice date was as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	598,540	446,377
1-2 years	174,181	63,365
2-3 years	789	925
Over 3 years	190	59
	<hr/>	<hr/>
	773,700	510,726
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14 PAID-IN CAPITAL/SHARE CAPITAL

Paid-in capital or share capital represented founders' and investors' capital injection. The excess of total consideration received by the Company over paid-in capital or share capital was credited to the Company's capital reserve or share premium.

	Number of ordinary shares of RMB1.00 each	Paid-in capital RMB'000	Capital reserve RMB'000	Share capital RMB'000	Share premium RMB'000
As at 1 January 2022	N/A	375,622	1,479,928	N/A	N/A
Conversion into a joint stock company (a)	375,622,294	(375,622)	(1,479,928)	375,622	1,357,400
– Issue of new shares (b)	62,899,375	N/A	N/A	62,900	943,491
As at 31 December 2022 and 1 January 2023	438,521,669	N/A	N/A	438,522	2,300,891
Issuance of shares by initial public offering, net of underwriting commission (c)	79,520,000	N/A	N/A	79,520	1,331,854
Capitalization of other listing expenses, except underwriting commission	N/A	N/A	N/A	N/A	(65,445)
Acquisition of minority Shareholder equity	N/A	N/A	N/A	N/A	(7,854)
Share-based payments recognized in share premium	N/A	N/A	N/A	N/A	98,381
As at 31 December 2023	518,041,669	N/A	N/A	518,042	3,657,827

- (a) The Company changed the type of enterprise from a limited liability company to a joint stock company on 22 March 2022. The net assets of the Company as of the conversion date, amounting to RMB1,679,022,245, were converted into 375,622,294 ordinary shares of RMB1.00 each.
- (b) During the year ended 31 December 2022, the Company issued a total of 62,899,375 ordinary shares at the price of RMB16.00 per share to investors, and raised a total subscription amount of RMB1,006,390,000, in which RMB62,900,000 was included in the share capital, and RMB943,491,000 was included in the share premium.
- (c) As at 5 December 2023, the Company issued a total of 79,520,000 ordinary shares at the price of HKD19.66 per share by initial public offering to investors, and raised a total subscription amount of HKD1,563,363,200 (approximately RMB1,411,374,000), net of underwriting commission, in which RMB79,520,000 was included in the share capital, and RMB1,331,854,000 was included in the share premium.

15 DIVIDEND

No dividends have been paid or declared by the Company or the companies now comprising the Group during the years ended 31 December 2023 and 2022.

16 SUBSEQUENT EVENTS

Other than disclosed elsewhere in this announcement, there were no significant subsequent events after 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

I. Business Operations Discussion and Analysis

Hydrogen energy plays a vital role in helping China achieve the peak carbon dioxide emissions and carbon neutrality goals and it is also regarded as one of the important sectors for developing new quality productive forces. Hydrogen energy is increasingly used in transportation, industrial sector, electricity, energy storage and other fields, among which the fuel cell vehicle industry has made great progress. 2023 was an important year for building on past successes to further advance the cause for development of the hydrogen energy industry. On the one hand, China ranked first in the world in terms of the sales of hydrogen fuel cell vehicles and maintains growth momentum. On the other hand, the market size of hydrogen energy is still relatively small. The hydrogen industry development is limited by the upstream's manufacturing, storage, transportation and hydrogenation and the downstream's demonstration applications. The further development of the hydrogen fuel cell vehicle industry and the hydrogen energy industry needs to extend from technological breakthroughs to model breakthroughs.

Responding actively to the development and changes of the industry, we have expanded application scenarios and explored new models for the development of the hydrogen energy industry throughout 2023. The details of our operations during the Year were as follows:

1. Business development

The hydrogen energy industry in which our Company operates was still at an early stage of commercialization, under which the hydrogen fuel cell systems and vehicle technologies were still undergoing development, and the infrastructure such as hydrogen facilities and hydrogen refueling stations were to be enhanced. There were uncertainties in developing commercialization scenarios for hydrogen energy which have led to some of the Company's customers delayed their orders. Meanwhile, the average selling price of our hydrogen fuel cell systems was lowered due to the rapid decline in the cost of hydrogen fuel cells in China. To sum up, the expected growth in revenue was not achieved in the Year. We achieved operating revenue of approximately RMB700.6 million in 2023, representing a year-on-year decrease of 6.4%. Our overall gross profit margin increased by 3.9 percentage points from 21.2% in 2022 to 25.1% in 2023. Among them, the gross profit margin of selling hydrogen fuel cell systems increased by 1.1 percentage points from 27.1% in 2022 to 28.2% in 2023. With the Company's measures to achieve local substitution of main raw materials and effective measures to reduce costs, the Company has achieved steady growth in the gross profit margin.

Although we did not meet the expected revenue growth, we were actively expanding our business based on our products' characteristics in 2023. In addition to expanding transportation application scenarios in our advantageous areas, we also expanded stationary application scenarios such as distributed power generations and back-up power generations. Moreover, we developed equipment of hydrogen made from the electrolysis of water and strived to achieve diversified application development. For the Reporting Period, the sales volume of our hydrogen fuel cell systems was 148,640 kW, representing a year-on-year increase of approximately 13.2%. At the same time, we were exploring diverse application scenarios, achieving once again breakthroughs from applications in multiple fields, such as: (i) the world's first hydrogen-powered smart tram, which we jointly developed and manufactured with CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司) with our own intellectual property, was officially unveiled in Malaysia and has commenced trial operation in Kuching, the capital city of the state of Sarawak in Malaysia; and (ii) the hydrogen refueling station in Hong Kong, the first hydrogen power generation demonstration project, which we jointly built with a leading company in the construction industry in Hong Kong and Sinopec (Hong Kong) Limited.

2. Research and development progress

We are committed to continuous efforts and innovation in research and development, and to promote the economy, reliability and durability of hydrogen fuel cells through the improvement of technology and products. In 2023, we finalized and applied membrane electrodes technology integrated packaging technology and system modular design technology. With the improvement of the performance of the cell stacks and system products and the research and development of the core materials of the cell stacks and key components of the system, we continuously reduced the production cost of fuel cells. We optimized the production process and equipment of the fuel cell stacks and systems, and improved the product quality. Through the research of performance evolution and failure mechanisms under various working conditions, we effectively improved the durability of our products. We also improved the reliability and durability of the high-power fuel cell systems under severe working conditions through the research of the optimal control method of the extreme application environment which in turn improved its system efficiency. We adhere to the research and development philosophy of “a generation in production, a generation at development, a generation in research (生產一代、開發一代、研究一代)”, by continuously accumulating knowledge and technology to promote successful commercialization of our fuel cell products. As of 31 December 2023, we have applied for 262 patents. At the same time, we also attached great importance to standard leadership and we took part in 10 national standards and 18 group standards to further promote the planned application of hydrogen fuel cells.

3. Building production line

We expanded our production capacity nationwide in line with the hydrogen energy industry potential, development planning and regional market demand in different regions. This facilitates the virtuous cycle of scaled production and closed operation to reduce cost and increase efficiency. In 2023, we expanded our production capacity in phases in key regions across China to empower the hydrogen energy industry and seize sizable market share, so as to further reduce the average production costs, to enhance operational efficiency and increase the Company’s advantages in scaled production and competition. Such key regions include Jiaxing, Zhejiang Province; Yunfu and Guangzhou, Guangdong Province; Chongqing; Ordos, Inner Mongolia; Puyang, Henan Province; and Lin-Gang Special Area of Shanghai. Among these, the construction of our factories in (i) Jiaxing, Zhejiang Province (Phase I); (ii) Ordos, Inner Mongolia; and (iii) Lin-Gang Special Area of Shanghai have been completed and are now in the trial production phase. We anticipate that the production capacity of hydrogen fuel cell systems will increase by 12,000 sets.

4. Scaling our team

We are keenly aware that talent is the core competitiveness for a company focusing on technology development and innovation. In 2023, we attracted more talent through diversified recruiting channels, such as social recruitment, campus recruitment, internal recommendations, headhunter recommendations and internship programs, to meet the needs of the Company for its rapid development. As at 31 December 2023, the number of employees amounted to 798, of whom 30% are research and development personnel.

5. Capital market

In 2023, the Company was successfully listed on the Main Board of the Stock Exchange, marking a significant milestone towards international capitalization and providing robust support for our future development in the hydrogen energy industry.

FINANCIAL REVIEW

Revenue

We primarily derived revenue from the sale of the hydrogen fuel cell stacks to fuel cell system manufacturers and hydrogen fuel cell systems to downstream manufacturers.

For the Reporting Period, the Group's revenue amounted to approximately RMB700.6 million, as compared to approximately RMB748.5 million for the Previous Period, representing a decrease of 6.4%. The decrease was mainly attributable to (i) the fact that the hydrogen fuel cell industry in which the Group operates is still at an early stage of commercialization; (ii) the uncertainties in the development of commercialization scenarios for hydrogen energy, which have led to some of the Group's customers delaying their orders, and the expected growth in revenue was not achieved in the Year; and (iii) the decrease in the average selling prices of hydrogen fuel cell systems.

The following table sets forth a breakdown of the revenue by product type for the years indicated:

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Hydrogen fuel cell systems	681,259	732,482
Hydrogen fuel cell system components ^(Note)	15,105	4,023
Hydrogen fuel cell stacks	3,604	11,877
Others	648	93
	<hr/>	<hr/>
Total revenue	<u>700,616</u>	<u>748,475</u>

Note: The increase in revenue for hydrogen fuel cell system components for the Year was mainly due to the increase of RMB11 million from sales of hydrogen fuel cell system components and hydrogen production equipment to customers.

Sales Volume and Average Selling Price

The following table sets forth a breakdown of the sales volume and average selling price of the hydrogen fuel cell stacks and hydrogen fuel cell systems for the years indicated:

	For the year ended 31 December			
	2023		2022	
	Sales volume (kW)	Average selling price (RMB per kW)	Sales volume (kW)	Average selling price (RMB per kW)
Hydrogen fuel cell stacks	2,314.0	1,557.5	7,122.8	1,667.5
Hydrogen fuel cell systems	148,640.0	4,583.3	131,300.0	5,578.7

The average selling price of our hydrogen fuel cell systems decreased from RMB5,578.7/kW for the Previous Period to RMB4,583.3/kW for the Reporting Period and the average selling price of our hydrogen fuel cell stacks decreased slightly from RMB1,667.5/kW for the Previous Period to RMB1,557.5/kW for the Reporting Period, due to (i) the lower selling price of hydrogen fuel cell product in the industry with development and advancement of hydrogen fuel cell industry; and (ii) through the Group's independent research and development of products, the localized procurement and production of core raw materials and production machineries and the high-quality mass-production, enabling us to reduce the selling price of hydrogen fuel cell systems and hydrogen fuel cell stacks and improve our market competitiveness.

The sales volume of hydrogen fuel cell systems increased from 131,300 kW for the Previous Period to 148,640 kW for the Reporting Period mainly due to (i) the Group's continuous research and development efforts that improved the reliability of our products; (ii) the Group's efforts to reduce costs and selling prices as mentioned above that promoted the commercialization of our products; (iii) the Group's actively expanding application scenarios of products, continuous establishing strategic cooperations with customers, to jointly develop hydrogen fuel cell vehicle applications; and (iv) the Group's expansion of product portfolio and applications that strengthened our position in the market. The sales volume of our hydrogen fuel cell stacks decreased significantly from 7,122.8 kW for the Previous Period to 2,314.0 kW for the Reporting Period mainly due to the Group's commitment to promote hydrogen fuel cell system products with a higher level of integration and the reduced amount of hydrogen fuel cell stacks available for external sales.

Cost of Sales

The Group's cost of sales consists primarily of raw materials, employee benefit expenses, depreciation and amortization of the production facilities and other fixed assets used in the production process, and impairment loss of the non-financial assets.

The table below sets forth a breakdown of the cost of sales for the years indicated:

	For the year ended 31 December		Year-on- year change compared to
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2022 (%)
Cost of sales of goods and services			
Raw Materials	443,486	486,738	(8.9)
Employee benefit expenses	30,098	28,869	4.3
Depreciation and amortization expense	14,221	19,173	(25.8)
Others	15,851	11,585	36.8
Subtotal	503,656	546,365	(7.8)
Impairment loss of inventory	21,210	43,307	(51.0)
Total	524,866	589,672	(11.0)

Raw materials were the largest component of our cost of sales for both the Previous Period and the Reporting Period. The cost of raw materials decreased by 8.9% from approximately RMB486.7 million for the Previous Period to approximately RMB443.5 million for the Reporting Period mainly due to (i) the decrease in revenue from sales of hydrogen fuel cell systems; and (ii) the decrease in raw material procurement costs for the Reporting Period.

The impairment loss of inventory decreased significantly by 51.0% from approximately RMB43.3 million for the Previous Period to approximately RMB21.2 million for the Reporting Period, which is mainly due to the increasing age of 9SSL fuel cell stacks inventories with gradually decreasing market demand. We made corresponding impairment provision in accordance with their net realizable values for the Previous Period and made further provision for the Reporting Period with a lesser amount of provision.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The table below sets forth a breakdown of our gross profit and gross profit margin by product types for the years indicated:

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Gross profit and gross profit margin of sales of goods and services				
Hydrogen fuel cell stacks	1,301	36.1	2,272	19.1
Hydrogen fuel cell systems	192,305	28.2	198,439	27.1
Hydrogen fuel cell system components and others	3,354	21.3	1,399	34.0
Subtotal	196,960	28.1	202,110	27.0
Less: impairment loss of inventory	(21,210)	N/A	(43,307)	N/A
Total	175,750	25.1	158,803	21.2

The gross profit of the Group increased by 10.7% from approximately RMB158.8 million for the Previous Period to approximately RMB175.8 million for the Reporting Period, and the gross profit margin of the Group increased by 3.9 percentage points from approximately 21.2% for the Previous Period to approximately 25.1% for the Reporting Period, which mainly due to (i) higher gross profit of the Group's customized development of hydrogen fuel cell stacks during the Year; (ii) the gross profit margin of the hydrogen fuel cell system has increased by 1.1 percentage points as a result of fundamentally realization of localized procurement for the Group's major raw materials, which effectively reduced costs of raw materials; and (iii) the decrease in impairment loss of inventory during the Year.

Other Income

Other income of the Group decreased by approximately RMB2.7 million or approximately 19.0% from approximately RMB14.4 million for the Previous Period to approximately RMB11.7 million for the Reporting Period, which was mainly due to the decrease in the government grants and subsidies received and recognized during the Year of approximately RMB1.8 million.

Other Gains (losses)-Net

Other gains (losses)-net of the Group improved from losses of approximately RMB19.5 million for the Previous Period to gains of approximately RMB38.2 million for the Reporting Period, mainly due to (i) the Group's fulfillment of an obligation to buy back shares of an associate, resulting in the reversal of change in fair value of derivative financial instruments during the Reporting Period; and (ii) the Group used its idle fund to purchase principal-protected floating income financial products from independent third-party financial institutions. The products have no fixed terms and can be redeemed at any time, and are classified as financial assets at fair value, with their fair value gains at the end of the period recognized in the profit or loss for the period.

Administrative Expenses

The Group's administrative expenses primarily consist of employee benefit expenses, share-based payments, impairment losses, depreciation of right-of-use assets, and depreciation of property, plant and equipment. The Group's administrative expenses increased from approximately RMB181.4 million for the Previous Period to approximately RMB249.7 million for the Reporting Period, primarily due to (i) the increase in depreciation and amortization expenses as the construction of the Company's production facilities was completed in line with its forward-looking strategic planning for laying a foundation for the achievement of mass production; (ii) the increase in share-based payment expenses recognized under the Company's share incentive schemes and employee option plan; and (iii) the one-off listing expenses incurred in the Reporting Period.

Selling Expenses

The Group's selling expenses increased from approximately RMB49.3 million for the Previous Period to approximately RMB59.3 million for the Reporting Period, primarily due to the expansion of sales network and increase in marketing expenses by the Group.

Research and Development Expenses

The Group's research and development expenses increased from approximately RMB91.8 million for the Previous Period to approximately RMB151.1 million for the Reporting Period, mainly due to (i) the Company's continuous investment in research and development to facilitate its iteration of existing products and the technological upgrading of new products; and (ii) the increase in labor costs as the Company has continuously introduced skilled technicians and scaled the research and development team.

Net Impairment Losses on Financial Assets and Contract Assets

The Group's impairment losses on financial assets and contract assets increased from approximately RMB98.1 million for the Previous Period to approximately RMB164.4 million for the Reporting Period, primarily due to the increase of allowance for expected credit losses for trade receivables.

Finance Income/(Costs), Net

The Group's finance costs mainly consist of interest expenses on borrowings. For the Year, net finance income of the Group amounted to approximately RMB2.5 million (2022: net finance costs of approximately RMB6.8 million), mainly due to the combined effect of the decrease in interest expenses on borrowings and increase in interest income from bank deposits.

Income Tax Credit

The Group's income tax credit primarily represents the Group's total current income tax and deferred income tax charges under the relevant income tax rules and regulations in the jurisdictions where we operate during the Year. For the Year, the Group recorded an income tax credit of approximately RMB28.8 million (2022: approximately RMB13.5 million).

Loss Attributable to Owners of the Company

As a result of the foregoing, loss attributable to owners of the Company amounted to approximately RMB404.4 million for the Reporting Period, as compared to approximately RMB273.4 million for the Previous Period.

Liquidity, Financial and Capital Resources

The Group's primary sources of liquidity consist of cash generated from operating activities, bank borrowings, and proceeds from the listing of H Shares on the Stock Exchange on 5 December 2023. The Group's cash and cash equivalents primarily consist of bank balances. The Group's future cash requirements will depend on many factors, including the Group's operating income, capital expenditures on property, plant and equipment, and intangible assets, market acceptance of the Group's products or other changing business conditions, and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If the Group's existing cash is insufficient to meet its requirements, the Group may seek to issue equity and/or debt securities or borrow from lending institutions.

As of 31 December 2023, the Group had cash and cash equivalents including restricted cash of approximately RMB808.0 million, representing an increase of 12.5% compared to approximately RMB718.2 million for the Previous Period. As of 31 December 2023, the Group had net current assets of approximately RMB2,210.1 million, as compared to approximately RMB1,388.6 million as of 31 December 2022. The current ratio of the Group increased slightly to approximately 2.7 as of 31 December 2023 from approximately 2.4 as of 31 December 2022.

Borrowings and Charges on Group Assets

As of 31 December 2023, the Group's outstanding current and non-current borrowings amounted to approximately RMB304.1 million, of which interest payable was approximately RMB0.4 million. The maturity groupings of the borrowings are as follows:

	For the year ended 31 December		Year-on- year change compared to
	2023	2022	2022
	RMB'000	RMB'000	(%)
Borrowing terms			
Within one year	265,631	197,400	34.6
Between one and two years	4,000	50,800	(92.1)
Between two and five years	34,500	32,100	7.5
Total	304,131	280,300	8.5

As of 31 December 2023, the Group's bank loans were approximately RMB304.1 million. As at 31 December 2023, the Group has guaranteed borrowings including (i) short-term bank borrowing of approximately RMB107.1 million guaranteed by deposit; and (ii) long-term bank borrowings of approximately RMB32.0 million secured by the Group's land use rights with net book value of approximately RMB53.1 million. The proportion of the Group's long-term borrowings in the total borrowings is approximately 12.7% as of 31 December 2023, ensuring the healthy and stable cash flow of the Group in the future. The Directors believed that the Group's debt level and financial structure had laid a solid foundation for the Group to withstand market volatility and diminish financial risks. The weighted average effective interest rates for the Group's bank borrowings as of 31 December 2023 was 4.39%. All bank borrowings or loans were all denominated in RMB.

Gearing Ratio

The gearing ratio is calculated by dividing total borrowings by total equity as of the end of the Year. From the Previous Period to the Reporting Period, gearing ratio remained relatively stable at 0.1.

Capital Commitments

The Group's capital expenditure during the Reporting Period represented the acquisition of property, plant, and equipment. For the Year, the Group had contracted but not provided for capital commitments for acquisition of property, plant and equipment were approximately RMB109.6 million (2022: approximately RMB252.2 million).

Capital Expenditures

The Group's capital expenditures primarily relate to payments of property, plant and equipment and land lease. For the Year, the Group's capital expenditures were approximately RMB150.5 million (2022: approximately RMB362.8 million).

Foreign Exchange and Exchange Rate Risk

The Group primarily operates in the PRC and is exposed to foreign currency risk arising from fluctuations in exchange rates between RMB and other currencies relating to the Group's business. The Group is subject to foreign currency risk attributable to the bank balances that are denominated in currencies other than RMB. The Group seeks to limit the exposure to foreign currency risk by minimizing its net foreign currency position. The Group did not enter into any hedging transactions in respect of foreign currency risk as of 31 December 2023. The Directors expect that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operation of the Group.

Future Development and Outlook of the Company

The Company has experienced development stages, including industrialization, automation and commercialization since its establishment. Through years of continuous technological innovation and product iteration, the Company has effectively accelerated the commercialization of hydrogen fuel cells in China. In the next milestone, we will focus on the development in technology and product upgrading and iteration, talent cultivation and system construction, business model innovation, and large-scale operation and other aspects:

1. Further investment in research and development of core products for product upgrading and iteration

We intend to continue the development of high-efficiency and high-power hydrogen fuel cell stacks, hydrogen fuel cell systems, as well as hydrogen production equipment. We plan to accelerate product iterations with technological innovation in order to further reduce production costs and improve production efficiency, and to ensure that the performances of our products are at a leading level. In the future, we will put our research and development efforts into our products on the following directions: graphite bipolar plates, hydrogen fuel cell stacks, hydrogen fuel cell systems and hydrogen production equipment. Through continuous research and development investment in the above aspects, we aim to provide customers with diversified products with higher stability, better consistency, lower cost and wider applications to further strengthen our leading position in the hydrogen fuel cell industry.

2. Continually introducing and cultivating professionals to promote system construction and management and operation efficiency

We intend to continually introduce and cultivate professionals, as well as consolidate collaboration with colleges and universities in China, so as to improve talent cultivation and team building and further enhance the leading position of the Company in the industry. Meanwhile, we will further strengthen system construction to improve management and operation efficiency as a whole. Our overall corporate governance, management and operation shall be improved in each aspect through recruiting and training talent and improving system construction, which will effectively consolidate and enhance our competitiveness in the industry.

3. Realization of business model innovation in hydrogen energy industry to accelerate the commercialization of hydrogen energy industry

We will further expand our product applications to diversified markets by seizing the current and future hydrogen industry market opportunities. By capitalizing the synergism with upper, middle and lower streams of hydrogen energy, we will continue to innovate business models in the hydrogen energy industry, expand the applications of hydrogen fuel cell products based on various scenarios, build comprehensive product matrix and expand application of hydrogen energy in different industrial usages, so as to consolidate our leading position in the industry.

4. Expand production capacity in accordance with local policies and opportunities

We plan to expand our production capacity nationwide in line with the hydrogen energy industry development policies, plans and market demand in different regions. This facilitates the virtuous cycle of scaled production and localized operation to reduce cost and increase efficiency, and provides strong support to the local governments' initiatives to build a clean, low carbon-emission, safe and efficient energy system. We plan to expand production capacity in key regions to empower the local hydrogen energy industry and seize sizeable market share, to further reduce the average production costs by localizing production activities and enhance operational efficiency, to increase our advantages in scaled production and competition.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not hold any significant investment and events which could have material impact on our operating and financial performance for the Year. Save as disclosed in the prospectus of the Company's initial public offering dated 27 November 2023, as of 31 December 2023, the Company had no specific plans for significant investments or acquisitions of capital assets.

MATERIAL ACQUISITION AND DISPOSAL

During the Year, the Group did not have any material acquisition or disposal of subsidiaries, associates, or assets.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2023, the Group had a total of 798 full-time employees and all of them were based in China. We primarily recruit our personnel through recruitment agencies, on-campus job fairs, referrals, and online channels including our corporate website and social networking platforms.

We place a strong emphasis on training our employees to develop their skills. Pursuant to our employee training policy, we provide our employees with opportunities to participate in training sessions and seminars on safety production, fire safety and emergency care, as well as team-building activities to cultivate our corporate culture.

In terms of remuneration, our employees' remuneration varies according to the functions: (i) our sales personnel's remuneration includes base salary and bonuses based on their total sales amount; (ii) our administration personnel's remuneration includes basic salary, subsidies and performance-based bonuses; and (iii) our production personnel's remuneration includes base salary and bonuses.

Employee benefit expenses consist of (i) salaries, wages and bonuses; (ii) pension cost – defined contribution plans; (iii) housing fund, medical insurance and other social insurance; and (iv) share-based payments expense. Employee benefits expenses were approximately RMB235.3 million during the Year (2022: approximately RMB177.9 million).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company issued H Shares at HK\$19.66 per share and offered 79,520,000 H Shares in Hong Kong, which were listed on the Main Board of the Stock Exchange on 5 December 2023 (the “**Listing Date**”). The net proceeds received by the Company from the global offering of its H Shares (the “**Global Offering**”), after deducting underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$1,456.3 million. As of 31 December 2023, the net proceeds from the Global Offering were used as follows:

	Approximate percentage of the total net proceeds (%)	Net proceeds from the Listing (HKD million)	Net proceeds utilized as of 31 December 2023 (HKD million)	Remaining net proceeds as of 31 December 2023 (HKD million)	Expected time to utilize the remaining net proceeds in full ^(Note 1)
Expand the production capabilities of the Group’s hydrogen fuel cell stacks and hydrogen fuel cell systems	40	582.6	0	582.6	By the end of the year ending 2026
Research and development of hydrogen fuel cell stacks, hydrogen fuel cell systems and hydrogen production equipment	20	291.3	0	291.3	By the end of the year ending 2026
Investment in, the potential acquisition of, or the alliance with companies in the Group’s upstream industry	10	145.6	0	145.6	By the end of the year ending 2026
Development of downstream transit and stationary applications of the Group’s product portfolios and development of domestic applications and the increase of local demands for the Group’s products by establishing joint ventures with the local governments and companies	10	145.6	0	145.6	By the end of the year ending 2026
Team building, talents recruitment and training, as well as enhanced compensation and incentives to key personnel	10	145.6	0	145.6	By the end of the year ending 2026
Working capital and other general corporate purposes	10	145.6	7.4	138.2	By the end of the year ending 2026
Total^(Note 2)	100	1,456.3	7.4	1,448.9	

Notes:

- (1) The expected timeline for using the unutilized net proceeds is based on the best estimation of the present and future business market situations made by the Board, and it will be subject to changes based on the future development of market conditions.
- (2) Any discrepancies in the above table between the total shown and the sum of the amounts listed are due to rounding.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Proposed Implementation of H Share Full Circulation

On 26 February 2024, the Company has submitted an application to the China Securities Regulatory Commission (the “CSRC”) in respect of the conversion of certain domestic shares of the Company held by certain Shareholders into H Shares. As of the date of this announcement, the details of the Company’s implementation plan of the said conversion and the listing of and permission to deal in such H Shares on the Main Board of the Stock Exchange (the “**Conversion and Listing**”) have not been finalized and the completion of the Conversion and Listing is subject to the performance of other relevant procedures required by the CSRC, the Stock Exchange and other relevant onshore and offshore regulatory authorities. Please refer to the announcement of the Company dated 26 February 2024 for more details.

Save for the above, there were no events occurred that has significantly affected the Group up to the date of this announcement.

DIVIDEND

No dividends were declared for the Year, nor have any dividend been proposed subsequent to 31 December 2023.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance its corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance. The Company has complied with all applicable code provisions set out in Part 2 of Appendix C1 of the Listing Rules from the Listing Date to 31 December 2023. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company from the Listing Date to 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 (formerly Appendix 10) to the Listing Rules as its code of conduct for the trading of securities by the Directors and supervisors of the Company (the “**Supervisors**”). Having made specific reasonable inquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors have complied with the provisions of the Model Code from the Listing Date to 31 December 2023.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has been established with written rules of procedure in compliance with the Listing Rules and the CG Code. The Audit Committee currently comprises three independent non-executive Directors, Ms. Wong Yan Ki, Angel, Mr. Liu Xin, and Dr. Xing Wei. Ms. Wong Yan Ki, Angel is the chairlady of the Audit Committee. The Audit Committee has reviewed, among others, the accounting principles and practices adopted by the Group, the relationship with and terms of appointment of the external auditors, the Company’s financial reporting system, internal control and risk management system with the management. The consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company’s 2023 annual general meeting (the “**AGM**”) is scheduled to be held at No. 1-6 Longwang Road, Zhapu Town, Pinghu City, Jiaying City, Zhejiang Province, the PRC on Wednesday, 19 June 2024 at 9:00 a.m..

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 14 June 2024 to Wednesday, 19 June 2024, both days inclusive, during which period no transfer of the Shares will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 13 June 2024.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS (“PwC”)

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Year as set out above in this preliminary announcement have been agreed by the Group’s auditor, PwC, to the amounts set out in the Group’s consolidated financial statements for the Year. The work performed by PwC in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by PwC on this announcement.

PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinosynergypower.com), and the 2023 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

By order of the Board
Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd.
Mr. Chen Xiaomin
Chairman and Executive Director

Jiaxing, the PRC
26 March 2024

As at the date of this announcement, the Board of the Company comprises: (i) Mr. Chen Xiaomin, Mr. Yang Zeyun and Mr. Ye Jiajie as executive Directors; (ii) Mr. Zhan Zhanlin, Mr. Huang Jiao and Dr. Wan Yu as non-executive Directors; and (iii) Mr. Liu Xin, Dr. Xing Wei and Ms. Wong Yan Ki, Angel as independent non-executive Directors.