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

(Stock Code: 2402)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

FINANCIAL HIGHLIGHTS

- **Total operating income for the six months ended June 30, 2023 was RMB153.5193 million, representing a year-on-year decrease of 42.96%**
- **Net losses attributable to shareholders of the listed company for the six months ended June 30, 2023 were RMB76.5111 million, while net losses attributable to shareholders of the listed company for the same period last year were RMB60.0046 million**
- **Basic loss per share for the six months ended June 30, 2023 was RMB0.67, while basic loss per share for the same period last year was RMB0.60**

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing SinoHytec Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2023 (the “**Reporting Period**”) prepared in accordance with the China Accounting Standards for Business Enterprises. The interim results in this announcement have been reviewed and confirmed by the audit committee of the Company.

CONSOLIDATED STATEMENTS OF BALANCE SHEETS AS OF JUNE 30, 2023

(Unless otherwise specified, all amounts are denominated in RMB)

Item	Notes	June 30, 2023	December 31, 2022
Current assets:			
Cash and cash equivalents		792,043,157.00	649,887,994.07
Balance with clearing companies		–	–
Placements with other financial institutions		–	–
Financial assets held-for-trading		705,979,100.68	25,165,123.28
Derivative financial assets		–	–
Note receivables		8,790,641.18	31,170,000.00
Account receivables	5	1,164,259,526.12	1,083,033,929.46
Receivables financing		21,052,827.55	21,990,000.00
Prepayments		26,418,502.50	19,554,147.32
Premium receivables		–	–
Reinsurance accounts receivable		–	–
Provision for reinsurance contract receivable		–	–
Other receivables		16,940,561.85	26,271,763.46
Including: Interest receivable		–	–
Dividend receivable		–	–
Purchases of resold financial assets		–	–
Inventories		373,345,570.85	302,903,534.87
Contract assets		38,264,843.50	33,719,757.81
Held-for-sale assets		–	–
Non-current assets due within one year		–	–
Other current assets		<u>83,840,364.99</u>	<u>67,337,509.57</u>
Total current assets		<u><u>3,230,935,096.22</u></u>	<u><u>2,261,033,759.84</u></u>

**CONSOLIDATED STATEMENTS OF BALANCE SHEETS AS OF JUNE 30, 2023
(CONTINUED)**

(Unless otherwise specified, all amounts are denominated in RMB)

Item	<i>Notes</i>	June 30, 2023	December 31, 2022
Non-current assets:			
Loans and advances to customers		–	–
Debt investments		–	–
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments		343,115,899.99	333,849,340.97
Other equity instrument investments		173,500,000.00	173,500,000.00
Other non-current financial assets		2,800,000.00	2,800,000.00
Investment properties		–	–
Fixed assets		468,849,269.20	478,969,668.22
Construction in progress		17,240,146.28	14,446,330.11
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		37,442,908.42	25,669,719.66
Intangible assets		231,669,958.12	204,985,879.25
Development expenses		63,759,909.71	72,941,726.28
Goodwill		–	–
Long-term deferred expenditures		33,260,169.98	27,933,004.82
Deferred income tax assets		155,623,248.57	135,525,491.45
Other non-current assets		60,059,161.11	52,301,386.65
Total non-current assets		<u>1,587,320,671.38</u>	<u>1,522,922,547.41</u>
Total assets		<u>4,818,255,767.60</u>	<u>3,783,956,307.25</u>

**CONSOLIDATED STATEMENTS OF BALANCE SHEETS AS OF JUNE 30, 2023
(CONTINUED)**

(Unless otherwise specified, all amounts are denominated in RMB)

Item	<i>Notes</i>	June 30, 2023	December 31, 2022
Current liabilities:			
Short-term borrowings		430,308,057.22	229,872,186.96
Borrowings from central bank		–	–
Loans from other financial institutions		–	–
Financial liabilities held-for-trading		–	–
Derivative financial liabilities		–	–
Note payables		124,423,211.42	114,143,006.75
Accounts payable	6	393,359,487.81	399,794,860.24
Advances from customers		–	27,522.93
Contract liabilities		8,148,142.14	5,532,261.91
Proceeds from disposal of repurchased financial assets		–	–
Absorption of deposits and interbank deposits		–	–
Acting sale of securities		–	–
Acting underwriting of securities		–	–
Accrued payroll		37,481,828.67	49,339,486.30
Taxes payable		1,685,243.91	7,929,205.25
Other payables		1,264,879.73	1,612,717.10
Including: Interest payable		–	–
Dividend payable		–	–
Handling fee and commission payable		–	–
Reinsurance accounts payable		–	–
Held-for-sale liabilities		–	–
Non-current liabilities due within one year		15,800,743.79	9,113,362.44
Other current liabilities		16,032,439.24	11,614,079.94
Total current liabilities		<u>1,028,504,033.93</u>	<u>828,978,689.82</u>

**CONSOLIDATED STATEMENTS OF BALANCE SHEETS AS OF JUNE 30, 2023
(CONTINUED)**

(Unless otherwise specified, all amounts are denominated in RMB)

Item	<i>Notes</i>	June 30, 2023	December 31, 2022
Non-current liabilities:			
Reserve fund for insurance contracts		–	–
Long-term borrowings		19,400,000.00	19,417,783.33
Bonds payable		–	–
Including: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities		22,881,539.41	14,299,147.15
Long-term payables		6,473,829.73	–
Long-term accrued payroll		–	–
Accrued liabilities		38,515,258.64	37,428,122.52
Deferred income		104,629,733.31	109,666,422.97
Deferred income tax liabilities		32,101,737.45	30,248,893.97
Other non-current liabilities		–	–
		<hr/>	<hr/>
Total non-current liabilities		<u>224,002,098.54</u>	<u>211,060,369.94</u>
		<hr/>	<hr/>
Total liabilities		<u>1,252,506,132.47</u>	<u>1,040,039,059.76</u>
		<hr/>	<hr/>
Owners' equity (or shareholders' equity):			
Paid-up capital (or share capital)		118,189,837.00	99,891,387.00
Other equity instruments		–	–
Including: Preferred shares		–	–
Perpetual bonds		–	–
Capital reserve		3,283,433,987.86	2,378,146,637.90
Less: Treasury shares		–	–
Other comprehensive income		94,682,771.34	94,682,771.34
Special reserve		6,354,782.86	4,819,344.54
Surplus reserve		9,216,035.02	9,216,035.02
Provision for general risk		–	–
Undistributed profit		-321,164,159.72	-244,653,029.56
Total equity attributable to owners of the listed company (or shareholders' equity)		3,190,713,254.36	2,342,103,146.24
Minority interests		375,036,380.77	401,814,101.25
Total owners' equity (or shareholders' equity)		<u>3,565,749,635.13</u>	<u>2,743,917,247.49</u>
		<hr/>	<hr/>
Total liabilities and owners' equity (or shareholders' equity)		<u>4,818,255,767.60</u>	<u>3,783,956,307.25</u>

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023
(Unless otherwise specified, all amounts are denominated in RMB)

Item	Notes	For the six months ended June 30, 2023	For the six months ended June 30, 2022
I. Total operating income		153,519,255.42	269,142,831.61
Including: Operating income	4	153,519,255.42	269,142,831.61
Interest income		-	-
Premiums earned		-	-
Handling fee and commission income		-	-
II. Total operation costs		280,417,141.31	341,350,134.33
Including: Operation costs	4	97,274,022.69	163,205,952.82
Interest expense		-	-
Handling fee and commission expenses		-	-
Surrenders value		-	-
Net expenditure for insurance claims settlement		-	-
Net drawing on provision for insurance contracts		-	-
Expenditures for policy dividend		-	-
Reinsurance expenditures		-	-
Tax and surcharges		1,648,136.64	1,454,348.33
Selling expenses		30,156,681.44	33,652,766.19
Administrative expenses		117,484,673.21	85,125,538.31
Research and development expenses		55,192,267.56	60,264,171.88
Financial expenses		-21,338,640.23	-2,352,643.20
Including: Interest expense		5,957,051.15	3,419,210.81
Interest income		9,540,738.42	6,159,357.72

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023 (CONTINUED)

(Unless otherwise specified, all amounts are denominated in RMB)

Item	Notes	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Add: Other income		14,541,255.21	14,932,434.12
Investment income (“-” for losses)		-15,782,235.50	-12,187,133.57
Including: Investment income from associates and joint ventures		-15,733,440.98	-11,140,823.18
Gains from derecognition of financial assets at amortized cost (“-” for losses)		-	-
Exchange gains (“-” for losses)		-	-
Gains on net exposure hedges (“-” for losses)		-	-
Gains on change in fair value (“-” for losses)		48,699,437.40	2,082,082.32
Losses on credit impairment (“-” for losses)		-14,016,353.78	2,379,223.56
Impairment losses on assets (“-” for losses)		-24,421,018.10	-26,690,668.54
Gains from asset disposal (“-” for losses)		-	-112,914.94
III. Operating profits (“-” for losses)		-117,876,800.66	-91,804,279.77
Add: Non-operating income		306,122.81	114,891.02
Less: Non-operating expenses		3,422,928.54	3,935,991.27
IV. Total profits (“-” for total losses)		-120,993,606.39	-95,625,380.02
Less: Income tax expenses (“-” for income)	7	-17,603,398.54	-13,849,392.99

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023 (CONTINUED)

(Unless otherwise specified, all amounts are denominated in RMB)

Item	<i>Notes</i>	For the six months ended June 30, 2023	For the six months ended June 30, 2022
V. Net profits (“-” for net losses)		-103,390,207.85	-81,775,987.03
(1) Classified by continuity of operations			
1. Net profit from continuing operations (“-” for net loss)		-103,390,207.85	-81,775,987.03
2. Net profit from discontinued operations (“-” for net loss)		-	-
(2) Classified by ownership			
1. Net profit attributable to equity shareholders of the listed company (“-” for net loss)		-76,511,130.16	-60,004,630.05
2. Minority interests (“-” for net losses)		-26,879,077.69	-21,771,356.97
VI. Net amount of other comprehensive income after tax		-	40,715,000.00
(1) Net amount of other comprehensive income after tax attributable to equity shareholders of the listed company		-	40,715,000.00
1. Other comprehensive income that cannot be reclassified to profit or loss		-	40,715,000.00
(1) Re-measurement of changes under defined benefit plan		-	-
(2) Other comprehensive income which cannot be reclassified to profit or loss under equity method		-	-
(3) Change in fair value of other equity instrument investments		-	40,715,000.00
(4) Changes in fair value of the enterprise’s own credit risk		-	-

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023 (CONTINUED)

(Unless otherwise specified, all amounts are denominated in RMB)

Item	Notes	For the six months ended June 30, 2023	For the six months ended June 30, 2022
2. Other comprehensive income that will be reclassified to profit or loss		-	-
(1) Other comprehensive income that can be reclassified to profit or loss under equity method		-	-
(2) Changes in fair value of other debt investments		-	-
(3) Amount included in other comprehensive income on reclassification of financial assets		-	-
(4) Credit impairment provision for other debt investments		-	-
(5) Cash flow hedging reserve		-	-
(6) Differences on translation of foreign currency statements		-	-
(7) Others		-	-
(2) Net amount of other comprehensive income after tax attributable to minority shareholders		-	-
VII. Total comprehensive income		-103,390,207.85	-41,060,987.03
(1) Total comprehensive income attributable to equity shareholders of the listed company		-76,511,130.16	-19,289,630.05
(2) Total comprehensive income attributable to minority shareholders		<u>-26,879,077.69</u>	<u>-21,771,356.97</u>
VIII. Earnings per share:		-	-
(1) Basic earnings per share (RMB/share) (“-” for losses)	8	-0.67	-0.60
(2) Diluted earnings per share (RMB/share) (“-” for losses)	8	<u>-0.67</u>	<u>-0.60</u>

1. GENERAL INFORMATION

The Company is 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.

The Company was established in the People's Republic of China (the "PRC") on July 12, 2012. The registered office of the Company is located at Room C701, 7th Floor, Block C, Building B-6, Dongsheng Science Park, Zhongguancun, No. 66, Xixiaokou Road, Haidian District, Beijing, the PRC.

During the Reporting Period, the Company's revenue was mainly derived from (i) sales of fuel cell systems; (ii) sales of fuel cell components; and (iii) provision of technology services.

The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

2. BASIS OF PREPARATION

Financial data in this report are extracted from the unaudited financial statements for the six months ended June 30, 2023 (the "Financial Statements") prepared by the Group.

The Company carried out recognition and measurement on an actual transaction and event basis in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations (the "Accounting Standards for Business Enterprises"). On this basis, the financial statements are prepared in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (amended in 2014) issued by the China Securities Regulatory Commission.

The Company has evaluated its ability to continue as a going concern for the 12 months from the end of the Reporting Period, and has not found any event or circumstance that may cast significant doubt on its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

In addition, the financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(1) Accounting period

The accounting period is from January 1 to December 31 of each calendar year.

(2) Functional currency

The functional currency is Renminbi.

(3) Preparation of consolidated financial statements

The consolidation scope of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries are included in the consolidated financial statements. The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements are consistent with those of the Company. If the accounting policies and accounting periods adopted by the subsidiaries are inconsistent with those of the Company, necessary adjustments shall be made in the preparation of the consolidated financial statements in accordance with the accounting policies and accounting periods of the Company.

The financial statements are prepared in such way that the effects of intra-transactions between the Company and its subsidiaries, and among subsidiaries on the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity shall be offset.

(4) Changes in accounting policies

On December 13, 2022, the Ministry of Finance issued the Notice on Issuing the Interpretation of Accounting Standards for Business Enterprises No. 16 (“**Interpretation No. 16**”), which explains the issues of “accounting treatment of the deferred income tax related to the assets and liabilities arising from a single transaction is not applicable to the initial recognition exemption”, which is implemented by the Company on January 1, 2023.

The Interpretation also provides that entities shall adjust the cumulative impact amounts to retained gains and other relevant financial statement items of the earliest period presented in the financial statements in accordance with the requirements of the Interpretation.

The impacts to consolidated statements of balance sheets of the Company as of December 31, 2022 due to the changes of accounting policies are stated in below table:

Items	Prior to changes	After changes	Impacted amounts
Deferred income tax assets	130,545,747.97	135,525,491.45	4,979,743.48
Deferred income tax liabilities	24,631,301.24	30,248,893.97	5,617,592.73
Undistributed profit	-244,134,213.34	-244,653,029.56	-518,816.22
Minority shareholders' interests	401,933,134.28	401,814,101.25	-119,033.03

The impacts to consolidated income statement of the Company for the six months ended June 30, 2022 are stated in below table:

Items	Prior to changes	After changes	Impacted amounts
Income tax expenses	-13,812,209.87	-13,849,392.99	-37,183.12
Net profit	-81,813,170.15	-81,775,987.03	37,183.12
Net profit attributable to shareholders of listed company	-60,038,546.38	-60,004,630.05	33,916.33
Profit or loss of minority shareholders	-21,774,623.77	-21,771,356.97	3,266.80

4. OPERATING INCOME AND OPERATING COST

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Income from principal business	153,175,910.83	268,910,885.53
Income from other business	343,344.59	231,946.08
	<u>153,519,255.42</u>	<u>269,142,831.61</u>

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Cost of principal business	97,038,116.99	163,152,811.84
Cost of other businesses	235,905.70	53,140.98
	<u>97,274,022.69</u>	<u>163,205,952.82</u>

Breakdown of income from principal business is as follows:

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Fuel cell systems	118,784,384.55	254,697,487.93
Parts and components	14,742,573.06	3,658,571.56
Technology development and service	7,225,392.96	7,720,686.23
Others	12,423,560.26	2,834,139.81
	<u>153,175,910.83</u>	<u>268,910,885.53</u>

5. RECEIVABLES

	June 30, 2023	December 31, 2022
Receivable balance	1,533,033,798.20	1,449,557,628.00
Less: Provision for doubtful debts	<u>-368,774,272.08</u>	<u>-366,523,698.54</u>
Net receivables	<u><u>1,164,259,526.12</u></u>	<u><u>1,083,033,929.46</u></u>

The table below sets forth an aging analysis of our receivables based on the date of recognition of revenue:

	June 30, 2023	December 31, 2022
Within 1 year	693,184,710.86	773,275,501.55
1-2 years	465,168,363.19	287,452,776.27
2-3 years	39,323,074.69	54,301,700.72
3-4 years	223,464,835.03	231,973,671.16
4-5 years	86,788,334.43	80,249,498.30
More than 5 years	<u>25,104,480.00</u>	<u>22,304,480.00</u>
	<u><u>1,533,033,798.20</u></u>	<u><u>1,449,557,628.00</u></u>

6. PAYABLES

	June 30, 2023	December 31, 2022
Payables	<u>393,359,487.81</u>	<u>399,794,860.24</u>

The table below sets forth an aging analysis of our payables based on the date of payment obligation:

	June 30, 2023	December 31, 2022
Within 1 year	329,021,322.62	336,495,096.38
1-2 years	53,073,340.50	56,555,253.25
2-3 years	6,564,391.03	2,043,844.65
More than 3 years	<u>4,700,433.66</u>	<u>4,700,665.96</u>
	<u><u>393,359,487.81</u></u>	<u><u>399,794,860.24</u></u>

7. INCOME TAX EXPENSE

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Current income tax expenses	279,164.96	202,012.94
Deferred income tax expenses (“-” for income)	<u>-17,882,563.50</u>	<u>-14,051,405.93</u>
	<u><u>-17,603,398.54</u></u>	<u><u>-13,849,392.99</u></u>

8. EARNINGS (LOSSES) PER SHARE

(1) Basic earnings (losses) per share

Basic earnings (losses) per share are calculated by dividing the consolidated net profit (loss) attributable to ordinary shareholders of the listed company by the weighted average number of ordinary shares outstanding of the listed company

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Consolidated net profit (loss) attributable to ordinary shareholders of the listed company (“-” for losses)	-76,511,130.16	-60,004,630.05
Weighted average number of ordinary shares outstanding of the listed company	115,028,354	99,891,387.00
Basic earnings (losses) per share (RMB/share) (“-” for losses)	<u><u>-0.67</u></u>	<u><u>-0.60</u></u>

(2) Diluted earnings (losses) per share

No diluted earnings (loss) per share are presented as there were no dilutive potential ordinary shares during the six months ended June 30, 2023 and the six months ended June 30, 2022.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2023 (2022 interim dividend: nil)

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

In the first half of 2023, the Company actively promoted the implementation of development strategies and business objectives, and continued to place R&D and technological innovation at an important position in the growing path of the Company. The Company continued to invest in R&D for product technology updates and iterations, and developed and deployed new business areas, aiming to actively transform R&D results into industrialization. Meanwhile, the Company strengthened the organization construction and deepened the operation management in the management, optimized the talent structure, and continued to improve the resource layout, laying a solid foundation for the Company's business development.

The Company's operations in the first half of 2023 are mainly as follows:

1. The Company achieved operating income of RMB153.5193 million, representing a year-on-year decrease of 42.96%. The net loss attributable to shareholders of the listed company was RMB76.5111 million, a year-on-year increase in loss of RMB16.5065 million, and the net cash outflow from operating activities was RMB276.3673 million, a year-on-year increase of RMB253.6438 million. This is mainly because (i) the fuel cell industry is still in the early stage of commercialization and the operating results of the Group are subject to certain fluctuation, and recognition of operating income of the Group is usually concentrated in the second half of the year; and (ii) the positive impact of the initial launch of fuel cell vehicle demonstration city clusters and the related supportive government policies in China influenced and facilitated the increase in the Group's sales of fuel cell systems for the corresponding period of last year. As of the end of the Reporting Period, the total assets of the Company amounted to RMB4,818.2558 million, representing an increase of RMB1,034.2995 million compared to that of December 31, 2022, and the net assets attributable to shareholders of the listed company amounted to RMB3,190.7133 million, representing an increase of RMB848.6101 million compared to that of December 31, 2022, mainly because the Company completed listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") to obtain equity raising funds.
2. In terms of R&D and new product development, the Company has always adhered to the R&D philosophy of "Advance Research" (預研一代), "Continuous Development" (開發一代) and "In-depth Promotion" (推廣一代). In the first half of the year, the Company invested RMB76.5973 million in research and development, and carried on R&D activities focusing on core technical indicators such as environmental adaptability, durability and reliability of fuel cell systems, aiming at further improving the Company's product performance and consistency. Meanwhile, in order to diversify and expand the application scenarios of the Company's products, the Company carried out the development of new applications for electricity and heat cogeneration supply, which can provide green solutions for distributed energy in the future.

3. In terms of industrial cooperation, the Company has established in-depth cooperation with Tsinghua University, Beijing University of Chemical Technology, Tianjin University and other universities in scientific and technological innovation and talent training. The Company and these universities jointly established a university-enterprise talent training and industry-university research cooperation platform in order to reserve relevant talent and technologies in advance. During the Reporting Period, the Company was also selected as one of the leading units of the first batch of players constituting the “National Energy R&D and Innovation Platform” (fuel cell field) in the “14th Five-Year Plan” of the National Energy Administration. As a selected unit, the Company will work with other units in the industry in accordance with the task requirements put forward by the National Energy Administration, focusing on independent innovation of related technologies, and insisting on localized development of fuel cell systems.
4. In terms of product market, the Company continues to adhere to the development strategy of “point, line and plane”, focusing on the development surrounding the fuel cell demonstration city clusters and potential cities. Fuel cell vehicles equipped with the Company’s products have been put into operation in Beijing, Zhangjiakou, Shanghai, Tangshan, Zhengzhou and other cities, and the Company’s product application scenarios have been further expanded to various scenarios such as cold chain transportation, sanitation and heavy truck. According to the statistics of “Road Power-Driven Vehicle Manufacturing Enterprises and Products” published by the Ministry of Industry and Information Technology of the PRC, as of the end of June 2023, a total of 877 fuel cell vehicle announcements (excluding chassis announcement) were published in the PRC, of which 133 vehicles were equipped with the Company’s fuel cell system, ranking forefront in the industry. In order to better promote the development of the entire fuel cell industry, the Company established a hydrogen energy technology subsidiary during the Reporting Period. The new company will integrate and deploy resources of all parties in the upstream hydrogen production field to gradually develop the hydrogen energy business market.
5. In respect of the capital market, during the Reporting Period, the Company completed the listing on the Main Board of the Hong Kong Stock Exchange. The successful listing of the Company in the Hong Kong stock capital market has further replenished the funds required for the Company’s operation and development, and is more conducive to the international development of the Company.

FINANCIAL REVIEW

Currency unit: RMB Yuan

	For the six months ended June 30, 2023	For the six months ended June 30, 2022	Percentage of change (%)
Operating income	153,519,255.42	269,142,831.61	-42.96
Operation cost	97,274,022.69	163,205,952.82	-40.40
Selling expenses	30,156,681.44	33,652,766.19	-10.39
Administrative expenses	117,484,673.21	85,125,538.31	38.01
Research and development expenses	55,192,267.56	60,264,171.88	-8.42

In the first half of 2023, the Group achieved operating income of RMB154 million, representing a year-on-year decrease of 42.96%, which was mainly because: (1) the fuel cell industry is still in the early stage of commercialization and the operating results are subject to certain fluctuation, with recognition of operating income usually concentrated in the second half of the year; and (2) the positive impact of the initial launch of fuel cell vehicle demonstration city clusters and the related supportive government policies in China influenced and facilitated the increase in the Group's sales of fuel cell systems for the corresponding period of last year. The year-on-year decrease in operating income in the first half of 2023 resulted in a year-on-year decrease of 40.40% in operating cost. Moreover, with the continuous expansion of the Company's operating scale and in order to seize the opportunity of large-scale development of the fuel cell market, the Company increased its investment in areas such as the introduction of talent reserves and the long-term assets for production and operation. The increase in labour costs and depreciation and amortization of long-term assets resulted in a year-on-year increase of 38.01% in administrative expenses in the first half of 2023.

BUSINESS OUTLOOK FOR FUTURE DEVELOPMENT OF THE COMPANY

The Company believes 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, indicating that the fuel cell industry will boast great potential for future development. According to the China Society of Automotive Engineers, the number of fuel cell vehicles owned in China is expected to exceed 1 million by 2035. The Company will continue to leverage advanced hydrogen fuel cell technology to contribute to China's "carbon peak and carbon neutrality" goal. The Company is committed to becoming the world's leading fuel cell system supplier and the global leader in hydrogen fuel cell technology. In the future, the Company intends to achieve this goal by implementing the following strategies:

1) *Further advance the R&D of fuel cell systems and core components*

The Company will continue to conduct R&D and the testing activities to improve our products' adaptability to adverse weather conditions, durability, reliability, energy conversion efficiency, safety and economy, thereby further optimizing and upgrading our products. The Company intends 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, the Company plans to collaborate with industrial, educational and research institutions and further build our competitive strengths. The Company also intends to explore overseas R&D opportunities to develop key raw materials for our fuel cell stacks.

2) *Expand the production capacity of fuel cell stacks to meet the growing market demand and achieve economies of scale*

The Company plans 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 manufacturing and testing facilities for more advanced fuel cell stacks with high power and bipolar plates with higher performance.

3) *Strategically expand our customer base and geographical coverage*

The Company intends to maintain and expand our customer base to increase market share. The Company intends 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. The Company intends 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. The marketing strategy of the Company is based around the development of regional fuel cell system market and the geographical distribution of hydrogen resources in China.

4) *Expand and strengthen the Company's supply chains*

As the Company continues to ramp up production capacity and increase sales volume, supplier relationships are key to our continued success in the future. The Company has established business relationships with many well-known suppliers of fuel cell system related parts and components in the market. The Company intends 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.

5) *Improve our brand awareness and promote the application of fuel cell system*

The Company believes that brand awareness is critical to our future development and customer base. The Company plans to improve our brand awareness through product promotion and multi-channel marketing. In particular, the Company plans to organize and participate in industry events, product exhibitions and product launch events, and conducts internet and conventional advertising more frequently. In addition, the Company plans to launch marketing campaigns through social media, short videos and online advertisements, and upgrade the Company's website to increase the public exposure of the Company's brand and products. Further, the Company intends 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.

CHANGES IN THE SCOPE OF CONSOLIDATION

The Company established a wholly-owned subsidiary, Hebei Guochuang Hydrogen Energy Technology Co., Ltd.*(河北國創氫能科技有限公司) on February 27, 2023, a wholly-owned subsidiary, SinoHytec International Limited*(億華通科技國際有限公司) on May 17, 2023, a non wholly-owned subsidiary, Yifan Hydrogen Energy Technology Co., Ltd.*(億凡氫能科技有限公司) on June 12, 2023 and a wholly-owned subsidiary, Beijing SinoHytec Hydrogen Energy Technology Co., Ltd.*(北京億華通氫能科技有限公司) on June 14, 2023.

Save as disclosed above, there were no changes in the scope of consolidation of the Company during the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL DATA IN THIS ANNOUNCEMENT

The audit committee of the Company (the “**Audit Committee**”) comprises three members, namely Mr. Li Zhijie (chairman), Mr. Ji Xuehong and Mr. Chan So Kuen, all of whom are independent non-executive Directors. The Audit Committee reports to the Board and has held regular meetings to review and make recommendations to improve the Group’s financial reporting process and internal controls. In addition, the primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, review the financial statements and make significant judgments in respect of financial reporting and internal control of the Company.

The Audit Committee has reviewed and confirmed the unaudited interim results announcement for the six months ended June 30, 2023.

CORPORATE GOVERNANCE CODE

The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on January 12, 2023 (the “**Listing Date**”). From the Listing Date to the date of this announcement, save as disclosed below, the Board is of the view that the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Guoqiang is our general manager and concurrently serves as the chairman of the Board as he has over ten years of experience in the fuel cell system industry. The Board is of the view that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within the Group, thus making the overall strategic planning of the Group more effective and efficient.

The Board is committed to achieving high standards of corporate governance. The Board believes that high standard of corporate governance is essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the Reporting Period, the Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard set out in the model code (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors and Supervisors, the Company confirmed that, from the Listing Date to the date of this announcement, each of the Directors and Supervisors has complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company offered 17,628,000 H shares in Hong Kong at HK\$60 per ordinary share and over-allotted 670,450 H shares. The aforementioned H shares were listed on the Main Board of the Hong Kong Stock Exchange on January 12, 2023 and February 8, 2023, respectively. The net proceeds received by the Company from 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\$1,022 million, which will be used in accordance with the purposes as set out in the prospectus of the Company dated December 29, 2022 (the “**Prospectus**”). The Group will gradually apply the proceeds from the global offering for the intended purposes as set out in the Prospectus.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2023 (interim dividend for 2022: nil).

SIGNIFICANT SUBSEQUENT EVENTS

In July 2023, the Company issued 4 new shares for every 10 existing shares to shareholders by way of capitalization of capital reserve, representing a total increase of 47,275,935 shares, comprising of 39,956,555 A shares and 7,319,380 H shares, based on the total share capital of the Company of 118,189,837 as of March 31, 2023. Upon the completion of the equity distribution, the registered capital of the Company was increased to RMB165,465,772. For details, please refer to the announcements of the Company dated April 27, 2023 and June 16, 2023 and the circular of the Company dated May 25, 2023.

Save for the above, the Group has no significant subsequent events up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement will be published on the Company's website at <http://www.sinohytec.com/> and the Hong Kong Stock Exchange's website at www.hkexnews.hk. The interim report of the Company for the six months ended June 30, 2023 will be despatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
Beijing SinoHytec Co., Ltd.
ZHANG Guoqiang
Chairman of the Board

Beijing, the PRC
August 30, 2023

As of the date of this announcement, the Board comprises Mr. Zhang Guoqiang, Ms. Song Haiying and Ms. Dai Dongzhe as executive Directors, Ms. Teng Renjie and Mr. Song Feng as non-executive Directors, Mr. Liu Xiaoshi, Mr. Ji Xuehong, Mr. Chan So Kuen and Mr. Li Zhijie as independent non-executive Directors.

* *For identification purpose only*