PUXING ENERGY LIMITED
普星能量有限公司

(Formerly known as "Puxing Clean Energy Limited 普星潔能有限公司")

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 90)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	For the year ended 31 December			
	2020	2019	2019	
	RMB'000	*RMB'000*	*RMB'000*	*Change*
		(As previously reported)	(Restated)[5]	
Revenue	**580,240**	292,209	463,119	+25.29%
Profit from operations	**191,533**	101,612	188,445	+1.64%
Profit attributable to equity shareholders of the Company	**124,190**	54,854	105,219	+18.03%
Basic earnings per share	**RMB0.271**	RMB0.120	RMB0.229	+18.34%
Dividend per share				
– Interim	**Nil**	Nil	Nil	0%
– Proposed final	**HK$0.10**	HK$0.04	HK$0.04	+150.00%

	At 31 December			
	2020	2019	2019	
	RMB'000	*RMB'000*	*RMB'000*	*Change*
		(As previously reported)	(Restated)[5]	
Total assets	**1,937,023**	1,170,621	1,955,079	–0.92%
Total equity attributable to equity shareholders of the Company	**651,200**	576,132	986,277	–33.97%
Net asset value per share[1]	**RMB1.42**	RMB1.26	RMB2.15	–33.95%
Net debt[2]	**1,049,880**	440,942	777,714	+35.00%
Total capital[3]	**1,701,080**	1,017,074	1,763,991	–3.57%
Gearing ratio[4]	**61.72%**	43.35%	44.09%	+17.63%

Notes:

1. $\dfrac{\text{Total equity attributable to equity shareholders of the Company}}{\text{Number of ordinary shares in issue}}$

2. Total debts (including interest-bearing borrowings, consideration payable, shareholder's loan and lease liabilities) – Cash and cash equivalents

3. Total equity attributable to equity shareholders of the Company + Net debt

4. $\dfrac{\text{Net debt}}{\text{Total Capital}}$

5. Since the acquisition of 100% of the equity interests in Quzhou Puxing Gas Turbine Thermal Power Co., Ltd. ("**Quzhou Power Plant**") completed in September 2020 is dealt with as a business combination under common control, the comparative figures have been restated in accordance with the requirements of relevant accounting policies of the Group for business combination under common control. For details, please refer to note 4 to the consolidated financial statements.

The board (the "**Board**") of directors (the "**Directors**") of Puxing Energy Limited (the "**Company**" or "**Puxing Energy**") announces the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the previous year (as restated) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	**2020** ***RMB'000***	2019 *RMB'000* (Restated)*
Revenue	*5*	**580,240**	463,119
Operating expenses			
Fuel consumption		**(215,307)**	(107,674)
Depreciation and amortisation		**(89,007)**	(91,595)
Repairs and maintenance		**(10,576)**	(6,745)
Personnel costs	*6(b)*	**(34,634)**	(34,898)
Administrative expenses		**(30,292)**	(26,770)
Sales related taxes		**(5,286)**	(4,145)
Other operating expenses		**(3,605)**	(2,847)
Profit from operations		**191,533**	188,445

	Note	2020 *RMB'000*	2019 *RMB'000* (Restated)*
Finance income		**22,653**	749
Finance expenses		**(45,305)**	(45,328)
Net finance costs	*6(a)*	**(22,652)**	(44,579)
Other income		**2,471**	6,992
Profit before taxation	*6*	**171,352**	150,858
Income tax	*7*	**(47,678)**	(45,642)
Profit for the year		**123,674**	105,216
Attributable to:			
Equity shareholders of the Company		**124,190**	105,219
Non-controlling interests		**(516)**	(3)
Profit for the year		**123,674**	105,216
Earnings per share			
Basic *(RMB)*	*9(a)*	**0.271**	0.229
Diluted *(RMB)*	*9(b)*	**0.271**	0.229

* *Comparative figures have been restated for the Group's application of book value accounting for business combination under common control. Details of the restatements are set out in note 4 to the consolidated financial statements.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
		(Restated)*
Profit for the year	**123,674**	105,216
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	**(3,336)**	186
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(1,237)**	(7,298)
Total comprehensive income for the year	**119,101**	98,104
Attributable to:		
Equity shareholders of the Company	**119,617**	98,107
Non-controlling interests	**(516)**	(3)
Total comprehensive income for the year	**119,101**	98,104

* *Comparative figures have been restated for the Group's application of book value accounting for business combination under common control. Details of the restatements are set out in note 4 to the consolidated financial statements.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 *RMB'000*	2019 *RMB'000* (Restated)*
Non-current assets			
Property, plant and equipment		**1,693,926**	1,767,028
Intangible assets		**711**	1,322
Deferred tax assets		**2,843**	3,217
		1,697,480	1,771,567
Current assets			
Inventories		**58,960**	59,085
Trade and other receivables	*10*	**48,619**	63,056
Cash and cash equivalents		**131,964**	61,371
		239,543	183,512
Current liabilities			
Interest-bearing borrowings	*11*	**274,440**	434,431
Consideration payable	*12*	**101,181**	–
Trade and other payables	*13*	**53,821**	66,607
Lease liabilities		**2,000**	486
Current taxation		**22,339**	13,041
		453,781	514,565
Net current liabilities		**(214,238)**	(331,053)
Total assets less current liabilities		**1,483,242**	1,440,514
Non-current liabilities			
Shareholder's loan		**91,404**	135,075
Interest-bearing borrowings	*11*	**500,750**	268,750
Consideration payable	*12*	**208,281**	–
Lease liabilities		**3,788**	343
Deferred revenue		**11,371**	11,735
Deferred tax liabilities		**16,433**	37,803
		832,027	453,706
NET ASSETS		**651,215**	986,808

	2020	2019
	RMB'000	*RMB'000*
		(Restated)*
CAPITAL AND RESERVES		
Share capital	**40,149**	40,149
Reserves	**611,051**	946,128
Total equity attributable to equity shareholders of the Company	**651,200**	986,277
Non-controlling interests	**15**	531
TOTAL EQUITY	**651,215**	986,808

* *Comparative figures have been restated for the Group's application of book value accounting for business combination under common control. Details of the restatements are set out in note 4 to the consolidated financial statements.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

At 31 December 2020, the Group had net current liabilities of RMB214,238,000 (31 December 2019 (restated): RMB331,053,000). In view of this circumstance, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Based on the future projection of the Group's profit and cash inflows from operations, the unused credit facilities as at 31 December 2020 of RMB196 million granted by Wanxiang Finance Co., Ltd. ("**Wanxiang Finance**"), a related party of the Company, and the anticipated ability of the Group to obtain continued bank loans and other financing facilities and financial support from the intermediate parent company, Shanghai Pu-Xing Energy Limited ("**Shanghai Puxing**"), the Directors believe that the Group will generate sufficient cash flows to meet its liabilities as and when they fall due in the next twelve months. Accordingly, the Directors consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. There is no impact on the Group's consolidated financial statements for the year ended 31 December 2020.

Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

4. BUSINESS COMBINATION UNDER COMMON CONTROL

Acquisition of Quzhou Power Plant

Pursuant to the share purchase agreement dated 6 May 2020 entered into between Zhejiang Puxing Deneng Natural Gas Power Co., Ltd. ("**Deneng Power Plant**"), an indirect wholly-owned subsidiary of the Company, and Shanghai Puxing (the "**Share Purchase Agreement**"), Deneng Power Plant acquired 100% equity interests in Quzhou Power Plant from Shanghai Puxing (the "**Acquisition**") at a final consideration of RMB355,850,628.92 (the "**Final Consideration**").

The Acquisition was approved by the shareholders of the Company at the extraordinary general meeting held on 30 July 2020, and was then completed on 30 September 2020.

Since the Company and Quzhou Power Plant are controlled by Shanghai Puxing both before and after the business combination, and control is not transitory, the Acquisition is dealt with as business combination under common control.

The operating results previously reported by the Group for the year ended 31 December 2019 have been restated to include the operating results of Quzhou Power Plant as set out below:

	The Group *RMB'000* (as previously reported)	Acquired business under common control *RMB'000*	The Group *RMB'000* (as restated)
Operating profit:			
Revenue	292,209	170,910	463,119
Profit before taxation	83,782	67,076	150,858
Profit for the year	54,851	50,365	105,216
Total comprehensive income for the year	47,739	50,365	98,104

The financial positions previously reported by the Group at 31 December 2019 and 1 January 2019 have been restated to include the assets and liabilities of Quzhou Power Plant as set out below:

As at 31 December 2019

	The Group *RMB'000* (as previously reported)	Acquired business under common control *RMB'000*	The Group *RMB'000* (as restated)
Non-current assets	1,062,905	708,662	1,771,567
Current assets	107,716	75,796	183,512
Current liabilities	363,096	151,469	514,565
Net current liabilities	255,380	75,673	331,053
Total assets less current liabilities	807,525	632,989	1,440,514
Non-current liabilities	230,862	222,844	453,706
Total equity:			
Share capital	40,149	–	40,149
Reserves	535,983	410,145	946,128
Non-controlling interests	531	–	531

As at 1 January 2019

	The Group *RMB'000* (as previously reported)	Acquired business under common control *RMB'000*	The Group *RMB'000* (as restated)
Non-current assets	1,111,672	731,548	1,843,220
Current assets	122,484	100,079	222,563
Current liabilities	313,658	132,849	446,507
Net current liabilities	191,174	32,770	223,944
Total assets less current liabilities	920,498	698,778	1,619,276
Non-current liabilities	377,477	338,998	716,475
Total equity:			
Share capital	40,149	–	40,149
Reserves	502,338	359,780	862,118
Non-controlling interests	534	–	534

The cash flows previously reported by the Group for the year ended 31 December 2019 have been restated to include the cash flows of Quzhou Power Plant as set out below:

	The Group *RMB'000* (as previously reported)	Acquired business under common control *RMB'000*	The Group *RMB'000* (as restated)
Net cash generated from operating activities	124,850	93,758	218,608
Net cash used in investing activities	(8,315)	(9,055)	(17,370)
Net cash used in financing activities	(142,502)	(101,000)	(243,502)
Net decrease in cash and cash equivalents	(25,967)	(16,297)	(42,264)

5. REVENUE

The principal activities of the Group are the development, operation and management of power plants.

Revenue comprises volume tariff revenue, capacity tariff revenue and revenue from sales of heat.

– Volume tariff revenue represents the sale of electricity to power grid companies.

– Capacity tariff revenue represents a subsidy income from power grid companies, following a reduction in the annual planned power generation volume of the Group's power plants for supply to the power grid companies and changes in the electricity tariff policies applicable to the Group since 2015, pursuant to the *"Notice Regarding the Trial Implementation of Dual Tariff for Natural Gas Power Generating Units in Zhejiang Province"* issued by Zhejiang Provincial Price Bureau in June 2015.

– Revenue from sales of heat represents the sale of heat to corporate entities.

Volume tariff revenue and revenue from sales of heat are recognised upon the transfer of products.

Capacity tariff revenue is recognised based on the installed capacity and capacity tariff on a monthly basis.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
Electricity:		
Volume tariff revenue	**187,344**	78,843
Capacity tariff revenue	**357,849**	355,536
	545,193	434,379
Heat:		
Revenue from sales of heat	**35,047**	28,740
	580,240	463,119

The Group's customer base is concentrated and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2020, volume tariff revenue and capacity tariff revenue from this customer (including its subsidiaries) amounted to RMB545,193,000 (2019 (restated): RMB434,379,000).

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	2020 *RMB'000*	2019 *RMB'000* (Restated)
Interest income	**(721)**	(742)
Net foreign exchange gain	**(21,932)**	(7)
Finance income	**(22,653)**	(749)
Interest on interest-bearing borrowings, consideration payable and shareholder's loan	**44,908**	45,255
Interest on lease liabilities	**333**	31
Total interest expense recognised in profit or loss	**45,241**	45,286
Bank charges	**64**	42
Finance expenses	**45,305**	45,328
Net finance costs	**22,652**	44,579

(b) Personnel costs

	2020 *RMB'000*	2019 *RMB'000* (Restated)
Wages, salaries and other benefits	**34,144**	32,102
Contribution to defined contribution plans	**490**	2,796
	34,634	34,898

The Group participates in pension funds organised by the People's Republic of China (the "**PRC**") government. According to the respective pension fund regulations, the Group is required to pay annual contributions. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

Due to the impact of COVID-19 pandemic, contributions to defined contribution plans from March 2020 to December 2020 for the five power plants of the Group were fully exempted.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees employed by the Group in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(c) Other items

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Net loss on disposal of property, plant and equipment	**2,790**	1,454
Depreciation charge		
– Owned property, plant and equipment	**84,692**	88,872
– Right-of-use assets – land use rights	**1,698**	1,698
– Right-of-use assets – other properties	**2,006**	349
Amortisation		
– Intangible assets	**611**	676
Expense relating to short-term leases and other leases with remaining lease term ended on or before 31 December 2019	**107**	618
Auditor's remuneration		
– audit services	**1,540**	1,241
– other services	**1,980**	–

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax in the consolidated statement of profit or loss represents:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Current tax		
PRC Corporate Income Tax	**38,687**	38,326
Under/(over)-provision in respect of prior years	**177**	(124)
	38,864	38,202
Deferred tax		
Origination and reversal of temporary differences	**8,814**	7,440
Total income tax expense in the consolidated statement of profit or loss	**47,678**	45,642

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(ii) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2020 and 31 December 2019.

(iii) The provision for PRC Corporate Income Tax is based on the respective Corporate Income Tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

According to the Corporate Income Tax Law of PRC, the Group's subsidiaries in the PRC are subject to the unified tax rate of 25%.

The PRC Corporate Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividend distributions out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

8. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2020	2019
	RMB'000	*RMB'000*
Final dividend proposed after the reporting date of HK$0.10 (2019: HK$0.04) per share	**38,723**	16,667

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020	2019
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.04 (2019: HK$0.035) per share	**16,537**	14,097

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB124,190,000 (2019 (restated): RMB105,219,000) and the weighted average of 458,600,000 (2019: 458,600,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share was the same as basic earnings per share for the year ended 31 December 2020 and 31 December 2019 as there were no dilutive potential shares during both years.

10. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**43,545**	59,347
Bills receivable	**1,790**	–
Prepayments	**998**	1,203
Other receivables	**2,286**	2,506
	48,619	63,056

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

At 31 December 2020, aging analysis of trade receivables of the Group based on the invoice date is as follows:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Within 1 month	**43,545**	59,347

11. INTEREST-BEARING BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Unsecured loans from related parties (i)	**444,445**	249,431
Unsecured bank loans guaranteed by related parties (ii)	**330,745**	453,750
	775,190	703,181
Reconciliation to the consolidated statement of financial position:		
Current liabilities	**274,440**	434,431
Non-current liabilities	**500,750**	268,750
	775,190	703,181

(i) Unsecured loans from related parties as at 31 December 2020 represented loans and accrued interest expense from Wanxiang Finance of RMB364,445,000 (31 December 2019 (restated): RMB32,000,000) and loans from Shanghai Puxing of RMB80,000,000 (31 December 2019 (restated): RMB217,431,000), which borne interest at 4.35%-4.8925% per annum (31 December 2019 (restated): 3.92%-4.75% per annum).

(ii) The bank loans and accrued interest expenses as at 31 December 2020 of RMB54,081,000 (31 December 2019: RMB119,500,000) and RMB276,664,400 (31 December 2019 (restated): RMB334,250,400) were guaranteed by China Wanxiang Holding Co., Ltd., the ultimate controlling company of the Company, and Wanxiang Group Corporation respectively. The bank loans borne an interest rate of 4.9% per annum (2019 (restated): 4.9% per annum) and are repayable semi-annually till 28 February 2022 and 28 November 2022 respectively.

The bank loans are subject to the fulfilment of financial covenants relating to certain financial ratios of Puxing (Anji) Gas Turbine Thermal Power Co., Ltd. ("**Anji Power Plant**") and Quzhou Power Plant respectively, which are commonly found in lending arrangements with financial institutions. As at 31 December 2020 and 31 December 2019, none of these covenants were breached.

12. CONSIDERATION PAYABLE

	2020	2019
	RMB'000	*RMB'000*
Current	**101,181**	–
Non-current	**208,281**	–
	309,462	–

According to the Share Purchase Agreement, Deneng Power Plant should pay RMB50,000,000 of the Final Consideration to Shanghai Puxing within ten business days from the date of completion of the Acquisition (the "**First Payment**"). The outstanding Final Consideration (i.e., the Final Consideration minus First Payment) bears a fixed interest rate of 5% per annum and is payable by Deneng Power Plant in three instalments in the manner set out in the Share Purchase Agreement.

The First Payment of RMB50,000,000 was fully paid in October 2020, and the outstanding Final Consideration of RMB100,000,000, RMB100,000,000 and RMB105,850,628.92 together with related interest expenses shall be paid by Deneng Power Plant to Shanghai Puxing on 8 October 2021, 2022 and 2023 respectively.

13. TRADE AND OTHER PAYABLE

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Trade payables	**3,078**	1,468
Other payables and accrued expenses	**50,743**	65,139
	53,821	66,607

As at 31 December 2020, the aging analysis of trade payables of the Group based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**2,969**	839
Over 3 months but less than 6 months	**98**	152
Over 6 months but less than 1 year	**11**	477
	3,078	1,468

14. COMPARATIVE FIGURES

As explained in note 4 to the consolidated financial statements, certain comparative figures have been re-presented as a result of the application of book value accounting due to the business combination involving entities under common control.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is mainly engaged in the development, operation and management of natural gas-fired power plants.

During the year, the Group successfully acquired Quzhou Power Plant which significantly enhanced the installed capacity and heat supply capacity of the Group. After the acquisition of Quzhou Power Plant was completed, the Group has five wholly-owned gas-fired power plants in Zhejiang Province, with an aggregate installed capacity of 687.73 megawatt (MW) (including 731 kilowatt (kW) photovoltaic power generating units) with a maximum heating capacity per hour of 360 tons, representing a significant increase of 50.3% and 125% as compared to 457.58MW (including 578kW photovoltaic power generating units) and 160 tons of 2019.

In order to align with the business development plans of the Group, promote diversified development of energy business and demonstrate its vision and determination of developing into an integrated energy supplier, the shareholders of the Company (the "**Shareholders**") approved the change of the company name by way of poll on 4 June 2020 and the company name was officially changed to "Puxing Energy Limited" on 5 June 2020.

Since the acquisition of equity interests in Quzhou Power Plant during the year was accounted for as a business combination under common control, therefore the comparative figures were restated in accordance with the requirements of relevant accounting policies of the Group for business combination under common control. Details of which are set out in note 4 to the consolidated financial statements.

BUSINESS REVIEW

In 2020, the economic development in the PRC (including Zhejiang Province) and the power consumption demand in the society were affected to a certain degree by the COVID-19 pandemic. With the good and rapid epidemic control and protection in the PRC, the social and economic activities have gradually resumed, and the overall power consumption demand in the society has returned to a stable level.

Along with the promotion of the adjustment to overall economic structure and the structural adjustment to electricity procurement demand in Zhejiang Province in 2020, as well as the resumption of economies after the COVID-19 pandemic, the relevant government departments in Zhejiang Province optimised and adjusted the annual production plan of the Group's five power plants to meet the peak demand within the power grid during the year. Benefitting from the increase in peak shaving power generation demand of Zhejiang Province in 2020 and the active participation in the trial run of the trading in electricity spot market carried out in Zhejiang Province during the year, the production volume of the Group for the year ended 31 December 2020 increased by 157.54% to 385,094.6 megawatt hour (MWh) as compared to 149,528.7MWh (restated) of 2019. Meanwhile, as the overall production volume increased during the year, the consumption of natural gas for electricity generation increased by 156.68% to 84,768,431m^3 from 33,025,409m^3 (restated) of 2019.

During the year, benefitting from the effective expansion of heat users by Anji Power Plant and the commencement of heat supply business of Quzhou Power Plant, the number of the Group's heat users increased, offsetting the effects from the decrease in demands for heating from heat users caused by the COVID-19 pandemic and the escalation of Sino-US conflicts. The heat sales volume of the Group for the year ended 31 December 2020 increased by 23.41% to 120,493 tons as compared to 97,639 tons of 2019 and the revenue from sales of heat increased by 21.95% to RMB35,047,000 as compared to RMB28,740,000 of 2019. The contribution margin (calculated based on revenue from sales of heat minus variable costs associated with heating production) ratio increased by 8.43 percentage points to 15.94% as compared to 7.51% of 2019. Due to the increase in heat sales volume, the consumption of natural gas for heating increased by 26.99% to 11,651,974m^3 as compared to 9,175,600m^3 of 2019.

During the year, Zhejiang Provincial Development and Reform Commission adjusted the volume tariff of natural gas power generating units and gate station price for natural gas (inclusive of value-added tax (VAT)) for several times. After several adjustments during the year, the volume tariff (inclusive of VAT) of each of Deneng Power Plant, Zhejiang Puxing Bluesky Natural Gas Power Co., Ltd. ("**Bluesky Power Plant**") and Zhejiang Puxing Jingxing Natural Gas Power Co., Ltd. ("**Jingxing Power Plant**") under the Group was adjusted from RMB0.686/kilowatt hour (kWh) at the beginning of the year to RMB0.6319/kWh at the end of the year, representing a decrease of approximately 7.89%. The volume tariff (inclusive of VAT) of Anji Power Plant and Quzhou Power Plant was adjusted from RMB0.626/kWh at the beginning of the year to RMB0.5719/kWh at the end of the year, representing a decrease of approximately 8.64%. The price of natural gas (inclusive of VAT) of power plants under the Group was also lowered from RMB2.88/m^3 at the beginning of the year to RMB2.62/m^3 at the end of the year, representing a decrease of approximately 9.03%. The capacity tariff of the power plants (inclusive of VAT) remained unchanged.

In late June 2020, Jingxing Power Plant under the Group successfully won a tender for the operation maintenance project (the "**Distributed Energy Service Project**") of the centralised heat supply project of Yuyue Hangzhou Industrial Park of Huzhou Hengjian Energy Co., Ltd. ("**Huzhou Hengjian Energy**"), which enabled the Group to achieve a major breakthrough in the development of distributed energy service business. In the second half of 2020, Jingxing Power Plant formally entered into a service contract with Huzhou Hengjian Energy in respect of the tender for the Distributed Energy Service Project won, and deployed its staff successively to the site of Huzhou Hengjian Energy for the preparation of the operation and maintenance and production of gas boilers of the distributed energy stations. After months of unremitting efforts from various technical staff, all the requirements of Huzhou Hengjian Energy were satisfied on 5 January 2021 and the distributed energy stations were capable of continuously supplying heat to external parties, thus the relevant service contract became formally effective from 1 January 2021. According to the service contract, the term of service is one year and the agreed service charge (inclusive of VAT) was RMB1,088,000.

In order to seize the two heating markets located at Tangpu Industrial Park and Kangshan Industrial Park of Anji County in Zhejiang Province as soon as possible to ensure stable long-term development of the Group's heat supply business for a long term, the Group commenced the construction of heat grid (phase II) of Anji Power Plant with a total investment amount of approximately RMB66.69 million during the year, and planned to increase the length of the heating pipe network by 23 kilometres. The construction project will be carried out in two stages. Stage one of the construction project is the construction of heat grid of Tangpu Industrial Park, which is estimated to be completed and commence production in December 2021, and is expected to bring 100,000-150,000 tons of heating sales to the Group. Stage two of the construction project will be the construction of heat grid of Kangshan Industrial Park. Since Kangshan Industrial Park is still under construction, the Group will appropriately adjust the project construction plan in accordance with the construction progress of the park to ensure the construction work of stage two can be promoted in an orderly manner. The funds for the construction project will be sourced by the internal resources of the Group, and other debt financing to be determined by the Group from time to time as and when necessary.

Equity Installed Capacity

As at 31 December 2020, the equity installed capacity of power plants held and operated by the Group is as follows:

Power plant	**Category**	**Installed capacity** *(MW)*	**Equity interest** *(%)*	**Equity installed capacity** *(MW)*
Bluesky Power Plant	Natural gas	112	100	112
Deneng Power Plant	Natural gas	112	100	112
Jingxing Power Plant	Natural gas	75	100	75
	Photovoltaics	0.22	100	0.22
Anji Power Plant	Natural gas	158	100	158
	Photovoltaics	0.36	100	0.36
Quzhou Power Plant	Natural gas	230	100	230
	Photovoltaics	0.15	100	0.15
Total		**687.73**	**100**	**687.73**

On-grid tariff

On-grid tariff is determined by Zhejiang Provincial Development and Reform Commission after taking into account the types of fuel, cost structure and operating profit of similar power plants within the provincial grid. A dual tariff policy for natural gas power generation (the "**Dual Tariff Policy**") has been implemented in trial by Zhejiang Province since 1 January 2015 in accordance with the "Notice Regarding the Trial Implementation of Dual Tariff for Natural Gas Power Generating Units in Zhejiang Province" of the Price Bureau of Zhejiang Province. Affecting by the trial implementation of the Dual Tariff Policy, the Group's tariff revenue mainly comprises volume tariff revenue and capacity tariff revenue.

During the year, pursuant to the adjustment by Zhejiang Provincial Development and Reform Commission in accordance with "Notice from Zhejiang Provincial Development and Reform Commission Regarding the Adjustment of On-grid Tariff of Natural Gas Power Generating Units" (Zhe Fa Gai Jia Ge [2020] No.98), "Notice from Zhejiang Provincial Development and Reform Commission Regarding the On-grid Tariff of Natural Gas Power Generating Units" (Zhe Fa Gai Jia Ge [2020] No.237) and "Notice from Zhejiang Provincial Development and Reform Commission Regarding the On-grid Tariff of Natural Gas Power Generating Units" (Zhe Fa Gai Jia Ge [2020] No.463) during the year, the volume tariff (inclusive of VAT) of Deneng Power Plant, Bluesky Power Plant and Jingxing Power Plant under the Group was adjusted from RMB0.686/kWh at the beginning of the year to RMB0.6319/kWh at the end of the year, representing a decrease of approximately 7.89%. The volume tariff (inclusive of VAT) of Anji Power Plant and Quzhou Power Plant was adjusted from RMB0.626/kWh at the beginning of the year to RMB0.5719/kWh at the end of the year, representing a decrease of approximately 8.64%. The capacity tariff of the power plants under the Group (inclusive of VAT) remained unchanged.

Production Volume

Natural Gas Power Generation

In order to facilitate the trial implementation of the Dual Tariff Policy by Zhejiang Province, the relevant government departments have organised the 2020 production plan for natural gas power generating units based on the peak demand within the power grid. Impacted by the COVID-19 pandemic and in response to the adjustment to the overall electricity procurement demand in Zhejiang Province in 2020, the relevant government departments optimised and adjusted the annual production plan of the Group's five power plants during the year to meet the peak demand within the power grid, which increased the production tasks of the Group within the year accordingly. Benefitting from the increase in peak shaving power generation demand of Zhejiang Province in 2020 and the active participation in the trial run of the trading in electricity spot market carried out in Zhejiang Province during the year, the production volume by natural gas of the Group for the year ended 31 December 2020 was 385,094.6MWh (equivalent to approximately 560.5 hours of full load power generation), representing an increase of 157.54% as compared to 149,528.7MWh (restated) (equivalent to approximately 217.7 hours (restated) of full load power generation) of 2019.

Photovoltaic Power Generation

The installed capacity of the Group's photovoltaic generating units is 731kW (2019: 578kW). The electricity generated therefrom is mainly used to supplement the auxiliary power consumption rate of the power plant, and the remainder will be sold to the power grid.

For the year ended 31 December 2020, photovoltaics production volume of the Group was approximately 771MWh (2019 (restated): approximately 809MWh), of which approximately 85MWh (2019 (restated): 89MWh) was sold to the power grid.

Through the photovoltaic power generation during the year, the Group saved power consumption cost of RMB369,000 (2019 (restated): RMB390,000) and realised a revenue of RMB131,000 (2019 (restated): RMB174,000).

Heat Sales Volume

Anji Power Plant and Quzhou Power Plant under the Group currently provide steam for manufacturers in proximity to their heating pipelines with a maximum heating capacity per hour of approximately 360 tons (2019: 160 tons).

During the year, benefitting from the effective expansion of heat users by Anji Power Plant and the commencement of heat supply business of Quzhou Power Plant, the number of the Group's heat users increased, offsetting the effects from the decrease in demands for heating from heat users caused by the COVID-19 pandemic and the escalation of Sino-US conflicts. The heat sales volume of the Group for the year ended 31 December 2020 increased by 23.41% to 120,494 tons as compared to 97,639 tons of 2019 and the average selling price (exclusive of VAT) slightly decreased by 1.18% to approximately RMB290.86/ton as compared to approximately RMB294.34/ton of 2019.

For the year ended 31 December 2020, the revenue and contribution margin from sales of heat of the Group were RMB35,047,000 (2019: RMB28,740,000) and RMB5,585,000 (2019: RMB2,158,000), respectively. The contribution margin ratio for sales of heat was 15.94% (2019: 7.51%), representing an increase of 8.43 percentage points as compared to 2019.

Fuel Cost and Natural Gas Usage

All power plants of the Group use natural gas as fuel for power generation, while Anji Power Plant and Quzhou Power Plant also uses natural gas as fuel for heating at the same time. Natural gas is the only source of fuel for the Group and is provided by the suppliers of the Group, namely Zhejiang Province Natural Gas Development Company (before April 2020) and Zhejiang Zheneng Natural Gas Pipeline Network Co., Ltd. (after April 2020).

The price is determined by Zhejiang Provincial Development and Reform Commission. According to the adjustments made by Zhejiang Provincial Development and Reform Commission based on "Notice from Zhejiang Provincial Development and Reform Commission Regarding the Adjustment of Gate Station Price for Natural Gas" (Zhe Fa Gai Jia Ge [2020] No.91), "Notice from Zhejiang Provincial Development and Reform Commission Regarding the Adjustment of Gate Station Price for Natural Gas" (Zhe Fa Gai Jia Ge [2020] No.229) and "Notice from Zhejiang Provincial Development and Reform Commission Regarding the Adjustment of Gate Station Price in Heat Supply Season for Natural Gas" (Zhe Fa Gai Jia Ge [2020] No.361) during the year, the price of natural gas (inclusive of VAT) of the power plants under the Group was lowered from RMB2.88/m^3 at the beginning of the year to RMB2.62/m^3 at the end of the year, representing a decrease of approximately 9.03%.

As the production volume increased during the year, the Group's total consumption of natural gas for the year ended 31 December 2020 was 96,420,405m^3 (including 11,651,974m^3 for heating), representing an increase of 128.48% as compared to 42,201,009m^3 (restated) (including 9,175,600m^3 for heating) of 2019. The Group's average unit fuel cost for power generation was approximately RMB490.86/MWh (2019 (restated): approximately RMB562.86/MWh), representing a decrease of 12.79% as compared to 2019. The average unit fuel cost for heating was approximately RMB218.10/ton (2019: approximately RMB240.76/ton), representing a decrease of 9.41% as compared to 2019. The decrease in average unit fuel cost for power generation and heating was mainly attributable to the decrease of the average natural gas price (inclusive of VAT) during the year as compared to 2019.

For the year ended 31 December 2020, fuel costs amounted to RMB215,307,000, representing an increase of 99.96% as compared to RMB107,674,000 (restated) of 2019. Fuel costs accounted for 96.81% of the related revenue (i.e., volume tariff revenue (excluding revenue from photovoltaic power generation) and revenue from sales of heat), representing a decrease of 3.27 percentage points as compared to 100.08% (restated) of 2019. Such decrease was mainly benefitted from the increase in peak shaving power generation demand of Zhejiang Province during the year and the active participation in the trial run of the trading in electricity spot market carried out in Zhejiang Province which resulted in the increase in relevant volume tariff revenue, as well as the downward adjustment of on-grid tariff during the year was less than the downward adjustment of cost price of natural gas.

FINANCIAL REVIEW

Benefiting from the significant increase of net foreign exchange gain during the year, the profit attributable to equity shareholders of the Company for the year ended 31 December 2020 was RMB124,190,000, representing a significant increase of RMB18,971,000 or 18.03% as compared to RMB105,219,000 (restated) of 2019. For the year ended 31 December 2020, the basic and diluted earnings per share of the Company amounted to RMB0.271, representing an increase of 18.34% as compared to RMB0.229 (restated) of 2019.

Revenue

Revenue of the Group mainly comprises volume tariff revenue, capacity tariff revenue and revenue from sales of heat.

Attributable to the increase in production volume and heat sales volume, revenue of the Group for the year ended 31 December 2020 amounted to RMB580,240,000, representing an increase of RMB117,121,000 or 25.29% as compared to RMB463,119,000 (restated) of 2019.

Operating Expenses

During the year, the Group's operating expenses mainly comprised fuel consumption, depreciation and amortisation, staff costs and administrative expenses. For the year ended 31 December 2020, the Group's operating expenses were RMB388,707,000, representing an increase of RMB114,033,000 or 41.52% as compared to RMB274,674,000 (restated) of 2019. The increase in operating expenses was due to the increase in fuel costs coupled with production volume.

Profit from Operations

Benefiting from optimisation of power generation mode, the Group's profit from operations for the year ended 31 December 2020 was RMB191,533,000, representing an increase of RMB3,088,000 or 1.64% as compared to RMB188,445,000 (restated) of 2019.

Finance Costs

For the year ended 31 December 2020, net finance costs of the Group were RMB22,652,000, representing a decrease of RMB21,927,000 or 49.19% as compared to RMB44,579,000 (restated) of 2019. The decrease in net finance costs was primarily due to fluctuations in the exchange rate between Renminbi (RMB) and Hong Kong Dollar (HKD) during the year, so that significant exchange gains were incurred when the Group's subsidiaries in the PRC distributed profits to their holding companies in Hong Kong while the exchange rate between declaration date and the actual payment date significantly fluctuated, resulting in a substantial increase of RMB21,925,000 in net foreign exchange gain as compared to 2019.

Income Tax

Pursuant to the Corporate Income Tax Law of the PRC, the Group's subsidiaries in the PRC are subject to the unified tax rate of 25%. For the year ended 31 December 2020, income tax expenses of the Group amounted to RMB47,678,000, representing an increase of RMB2,036,000 or 4.46% as compared to RMB45,642,000 (restated) of 2019. The increase in income tax for the current year was due to the increase in recognition of the deferred tax in relation to the withholding tax for retained profits of the Group's PRC subsidiaries.

Earnings per Share

For the year ended 31 December 2020, profit attributable to equity shareholders of the Company amounted to RMB124,190,000 (2019 (restated): RMB105,219,000). The basic and diluted earnings per share amounted to RMB0.271, representing an increase of 18.34% as compared to RMB0.229 (restated) of 2019.

Major Acquisitions and Disposals

On 6 May 2020, Deneng Power Plant, an indirect wholly-owned subsidiary of the Company, and Shanghai Puxing, the controlling shareholder of the Company, entered into the Share Purchase Agreement, pursuant to which Deneng Power Plant agreed to acquire, and Shanghai Puxing agreed to dispose of, 100% of the equity interests in Quzhou Power Plant at a consideration of RMB333,398,965.29 (the "**Consideration**"). The Consideration will be financed by (i) the internal resources of the Group, including cash flows generating from operating activities of the Group from time to time; and (ii) other debt financing to be determined by the Company from time to time when necessary, and was adjustable based on the net asset value of Quzhou Power Plant stated in the completion audit report issued within 30 days after the completion date, minus its accumulated undistributed profit as at 31 December 2019 of RMB82,305,855.10 (the "**Adjusted Consideration**"). According to the Share Purchase Agreement, the First Payment of RMB50,000,000 should be paid within ten business days from the date of completion of the Acquisition, and the outstanding payment of the Consideration (i.e. Adjusted Consideration minus First Payment) will bear a fixed interest rate of 5% per annum and be payable by Deneng Power Plant in three instalments in the manner set out in the Share Purchase Agreement. Details of the Acquisition are set out in the Company's announcements dated 6 May 2020 and 17 July 2020 and the circular dated 24 June 2020.

After all the conditions precedent set out in the Share Purchase Agreement had been fulfilled, completion of the Acquisition took place on 30 September 2020 (the "**Completion**"), and the Adjusted Consideration was finally determined as RMB355,850,628.92. Details of the Completion and the Adjusted Consideration are set out in the Company's announcements dated 30 September 2020 and 8 October 2020.

Upon Completion, Deneng Power Plant held 100% of the equity interests in Quzhou Power Plant and Quzhou Power Plant became an indirect wholly-owned subsidiary of the Company.

Save as disclosed above, the Group had no other major acquisition and disposal relating to its subsidiaries, associates and joint ventures during the year.

Significant Investment Activities

Save for the Acquisition as disclosed in the section headed "Major Acquisitions and Disposals" above, the Group had no significant investment activity during the year.

Liquidity and Financial Resources

Cash and cash equivalents of the Group are denominated in RMB and HKD. As at 31 December 2020, cash and cash equivalents of the Group amounted to RMB131,964,000 (31 December 2019 (restated): RMB61,371,000), of which RMB48,753,000 (31 December 2019 (restated): RMB3,162,000) was denominated in HKD.

As at 31 December 2020, the Group had current assets of RMB239,543,000 (31 December 2019 (restated): RMB183,512,000), current liabilities of RMB453,781,000 (31 December 2019 (restated): RMB514,565,000) and net current liabilities of RMB214,238,000 (31 December 2019 (restated): RMB331,053,000) with a current ratio of 0.53 (31 December 2019 (restated): 0.36). The increase in current ratio was mainly due to the increase in cash as certain loans were deferred for repayment as a result of the effect of the COVID-19 incentive policy, and the repayment of certain current loans.

As at 31 December 2020, the Groups had unused credit facilities granted by Wanxiang Finance of RMB196 million (2019: RMB nil).

Sources of funds of the Group are mainly cash inflows from operating activities and loans granted by banks and related parties. The Group regularly monitors its gearing ratio to control its capital structure. At the same time, the Group also regularly monitors its liquidity position, projected liquidity requirements and its compliance with lending covenants, as well as maintains long-term sound relationships with major banks to ensure that it has sufficient liquidity to meet its working capital requirements and future development needs.

Debts

All the debts of the Group are denominated in RMB, HKD and United States Dollar (USD). As at 31 December 2020, the Group had total debts of RMB1,181,844,000 (31 December 2019 (restated): RMB839,085,000), including shareholder's loan of HK$108,602,000 (equivalent to approximately RMB91,404,000) (31 December 2019: HK$150,790,000 (equivalent to approximately RMB135,075,000), related party loans of US$nil (equivalent to approximately RMB nil) (31 December 2019: US$19,700,000 (equivalent to approximately RMB137,431,000)) and lease liabilities of HK$134,000 (equivalent to approximately RMB113,000) (31 December 2019: HK$400,000 (equivalent to approximately RMB358,000)).

Details of the Group's debts as at 31 December of 2020 and 2019 are listed below:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Unsecured loans from related parties	**444,445**	249,431
Unsecured bank loans guaranteed by a related party	**330,745**	453,750
Shareholder's loan	**91,404**	135,075
Consideration payable	**309,462**	–
Lease liabilities	**5,788**	829
Total	**1,181,844**	839,085

The above debts are repayable as follows:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Within 1 year	**377,621**	434,917
Over 1 year but less than 2 years	**624,904**	143,343
Over 2 years but less than 5 years	**179,319**	260,825
Total	**1,181,844**	839,085

Among the above debts, approximately RMB406,654,000 (31 December 2019 (restated): approximately RMB273,335,000) were fixed-rated debts, of which approximately RMB91,517,000 (31 December 2019 (restated): approximately RMB272,864,000) were denominated in USD and HKD. The remaining debts were denominated in RMB and subject to adjustment in accordance with relevant regulations of the People's Bank of China, bearing interests calculated at an interest rate of 4.35% to 4.90% (2019 (restated): 3.92% to 4.90%) per annum.

Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including interest-bearing borrowings, shareholder's loan, consideration payable and lease liabilities, as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity attributable to equity shareholders of the Company (as shown in the consolidated statement of financial position) plus net debt. As at 31 December 2020, the Group's gearing ratio was 61.72% (31 December 2019 (restated): 44.09%).

Capital Expenditures

For the year ended 31 December 2020, the Group invested RMB15,822,000 (2019 (restated): RMB18,112,000) in purchasing property, plant and equipment.

Capital Commitments

As at 31 December 2020, the Group had capital commitments of RMB75,678,000 (31 December 2019 (restated): RMB19,264,000) for the construction of heat grid (phase II) of Anji Power Plant and the technological renovation and maintenance of power generation units.

Pledge of Assets

As at 31 December 2020 and 2019, the Group had no assets pledged.

Contingent Liabilities

As at 31 December 2020 and 2019, the Group had no material contingent liability.

Exchange rate risk

The Group primarily operates its business in PRC and most of the transactions are settled in RMB. Except for certain cash, bank balances and borrowings that are denominated in HKD and USD, the Group's assets and liabilities are mainly denominated in RMB. The Group considers that its current foreign exchange risk is insignificant and therefore has not hedged it through any derivative for the time being. However, the management of the Group will continue monitoring its foreign currency exposure and will consider hedging significant foreign exchange risks should the need arise.

Employees and Remuneration Policy

As at 31 December 2020, the Group had a total of 293 employees, excluding 7 trainees (31 December 2019 (restated): 305 employees, excluding 2 trainees). For the year ended 31 December 2020, total employees' remuneration (including Directors' remuneration and benefits) was RMB34,634,000 (2019 (restated): RMB34,898,000). The Group determines employees' remuneration according to industry practices, financial performance and employees' performance. In addition, the Group provides employees with training and benefits, such as insurance, medical benefits and mandatory provident fund contributions, with an aim to retain talents of all levels for further contribution to the Group.

Prospects

2021 is the year to kick start the PRC's "14th Five-Year Plan". The PRC's goal and vision of peaking carbon emission and achieving carbon neutrality means that it will be more determined to accelerate the development of new energy, enhancing its energy structure and embark on a green, low-carbon and circular development path with the aim of achieving high-quality development. As an enterprise focusing on energy with an aim to transform into an integrated energy supplier and achieve diversified development of energy business, the Group will endeavor to seek opportunities under the PRC's new energy policy and explore the development of diversified energy business, so as to make continuous efforts in enhancing the Group's long-term growth potential and Shareholders' value.

In the future, the Group will continue to promote and strengthen its refined management, actively prevent the risks and adverse effects that may be caused by the COVID-19 pandemic to the production and operation of the Group, and strive to follow up and participate in the reform of electricity market in Zhejiang Province. The Group will also continue to work diligently to hone its team by concluding its experience in the Distributed Energy Service Project obtained, and lay a solid foundation for the Group to undertake such kind of projects and strive for more different types of energy projects in the future, in order to move toward to the development of diversified energy business. Although the continuous instability of COVID-19 pandemic brings severe difficulties and challenges to the future development of the Group, the Group is confident that it will overcome the difficulties, further expand and strengthen the business of Puxing Energy, and continue maximising the Shareholders' interests and returns.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.10 (2019: HK$0.04) per share for the year ended 31 December 2020. The proposed final dividend, if approved by the Shareholders at the forthcoming annual general meeting of the Company, is expected to be paid on Wednesday, 23 June 2021 to the Shareholders whose names appear on the register of members on Thursday, 10 June 2021.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 4 June 2021 (the "**AGM**"). A notice convening the AGM will be despatched to the Shareholders together with the annual report and published on the Company's website (www.puxing-energy.com) and the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed in the following periods during which no transfer of the Shares will be registered:

(i) from Tuesday, 1 June 2021 to Friday, 4 June 2021 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and to vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, 31 May 2021; and

(ii) on Thursday, 10 June 2021, for the purpose of determining Shareholders' entitlement to the proposed final dividend. In order to be qualified for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Wednesday, 9 June 2021.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

CORPORATE GOVERNANCE

The Board has been adamant in upholding high standards of corporate governance to maximise operational efficiency, corporate values and Shareholders' returns. The Company has adopted and applied the principles of the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. The Company will continue to upgrade its internal control system, strengthen its risk control management and reinforce its corporate governance structure.

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the CG Code throughout the year ended 31 December 2020.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF KPMG ON THIS PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been compared by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (www.puxing-energy.com) and the Stock Exchange's website (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules shall be despatched to the Shareholders and made available on the aforesaid websites in due course.

By order of the Board
Puxing Energy Limited
WEI Junyong
Chairman

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises five directors, of whom two are executive Directors, namely Mr. Wei Junyong and Mr. Gu Genyong; and three are independent non-executive Directors, namely Mr. Tse Chi Man, Mr. Yao Xianguo and Mr. Yu Wayne W.