PUXING ENERGY LIMITED
普星能量有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 90)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June			
	2021	2020	2020	
	RMB'000	*RMB'000*	*RMB'000*	Change
		(As previously reported)	(Restated)[5]	
Revenue	**278,405**	186,118	264,535	+5.24%
Profit from operations	**110,849**	56,039	102,529	+8.11%
Profit attributable to equity shareholders of the Company	**58,548**	30,439	58,510	+0.06%
Basic earnings per share	**RMB0.128**	RMB0.066	RMB0.128	0%
Dividend per share – Interim	**Nil**	Nil	Nil	0%

	At 30 June 2021	At 31 December 2020	
	RMB'000	*RMB'000*	Change
Total assets	**1,874,682**	1,937,023	–3.22%
Total equity attributable to equity shareholders of the Company	**672,085**	651,200	+3.21%
Net asset value per share[1]	**RMB1.47**	RMB1.42	+3.52%
Net debt[2]	**1,010,080**	1,049,880	–3.79%
Total capital[3]	**1,682,165**	1,701,080	–1.11%
Gearing ratio[4]	**60.05%**	61.72%	–1.67%

Notes:

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

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. $\frac{\text{Net debt}}{\text{Total Capital}}$

5. Since the acquisition of 100% of the equity interests in Quzhou Puxing Gas Turbine Thermal Power Co., Ltd.*（衢州普星燃機熱電有限公司）（"**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 the relevant accounting policies of the Group for business combination under common control. For details, please refer to note 3 to the unaudited condensed consolidated financial information.

The board (the "**Board**") of directors (the "**Directors**") of Puxing Energy Limited (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*RMB'000*
			(Restated)*
Revenue	*4*	**278,405**	264,535
Operating expenses			
Fuel consumption		**(89,429)**	(83,077)
Depreciation and amortisation		**(44,230)**	(44,700)
Repairs and maintenance		**(5,129)**	(1,792)
Personnel costs		**(14,728)**	(14,306)
Administrative expenses		**(9,916)**	(15,140)
Sales related taxes		**(2,614)**	(2,641)
Other operating expenses		**(1,510)**	(350)
Profit from operations		**110,849**	102,529
Finance income		**140**	294
Finance expenses		**(27,935)**	(20,256)
Net finance costs	*5(a)*	**(27,795)**	(19,962)
Other income		**3,254**	1,248
Profit before taxation	*5*	**86,308**	83,815
Income tax	*6*	**(27,793)**	(25,305)
Profit for the period		**58,515**	58,510
Profit for the period		**58,515**	58,510
Attributable to:			
Equity shareholders of the Company		**58,548**	58,510
Non-controlling interests		**(33)**	–
Profit for the period		**58,515**	58,510
Earnings per share			
Basic *(RMB)*	*7(a)*	**0.128**	0.128
Diluted *(RMB)*	*7(b)*	**0.128**	0.128

* *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 3 to the unaudited condensed consolidated financial information.*

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)*
Profit for the period	**58,515**	58,510
Other comprehensive income for the period (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	**(2,804)**	856
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**3,014**	(6,404)
Total comprehensive income for the period	**58,725**	52,962
Attributable to:		
Equity shareholders of the Company	**58,758**	52,962
Non-controlling interests	**(33)**	–
Total comprehensive income for the period	**58,725**	52,962

* *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 3 to the unaudited condensed consolidated financial information.*

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		**1,658,599**	1,693,926
Intangible assets		**406**	711
Deferred tax assets		**4,837**	2,843
		1,663,842	1,697,480
Current assets			
Inventories		**59,011**	58,960
Trade and other receivables	*8*	**43,970**	48,619
Cash and cash equivalents		**107,859**	131,964
		210,840	239,543
Current liabilities			
Interest-bearing borrowings	*9*	**327,754**	274,440
Consideration payable		**103,694**	101,181
Trade and other payables	*10*	**34,847**	53,821
Lease liabilities		**1,945**	2,000
Current taxation		**15,153**	22,339
		483,393	453,781
Net current liabilities		**(272,553)**	(214,238)
Total assets less current liabilities		**1,391,289**	1,483,242
Non-current liabilities			
Shareholder's loan		**92,559**	91,404
Interest-bearing borrowings	*9*	**375,250**	500,750
Consideration payable		**213,456**	208,281
Lease liabilities		**3,281**	3,788
Deferred revenue		**11,189**	11,371
Deferred tax liabilities		**23,487**	16,433
		719,222	832,027
Net assets		**672,067**	651,215
Capital and reserves			
Share capital		**40,149**	40,149
Reserves		**631,936**	611,051
Total equity attributable to equity shareholders of the Company		**672,085**	651,200
Non-controlling interests		**(18)**	15
Total equity		**672,067**	651,215

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), including compliance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB).

This interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

This interim financial information has been prepared on the basis that the Group will continue to operate throughout the next twelve months as a going concern. The Group's current liabilities exceeded its current assets by RMB272,553,000 as at 30 June 2021. Based on future projection of the Group's profit and cash inflows from operations, unused credit facilities of RMB125 million granted by Wanxiang Finance Co., Ltd.*（萬向財務有限公司）("**Wanxiang Finance**"), a related party of the Company, as at 30 June 2021, and the anticipated ability of the Group to obtain continued financial support from an intermediate parent company, Shanghai Pu-Xing Energy Limited*（普星聚能股份公司）("**Shanghai Puxing**"), to finance its continuing operations for the next twelve months ending 30 June 2022, 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 these interim financial statements on a going concern basis.

The preparation of this interim financial information in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

This interim financial information is unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants.

2. CHANGES IN ACCOUNTING POLICIES

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

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

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:

Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022. The Group has early adopted the 2021 amendment in this financial year and the amendment does not have an impact on these interim financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**"). The amendments do not have an impact on these interim financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

3. BUSINESS COMBINATION UNDER COMMON CONTROL

Acquisition of Quzhou Power Plant

Pursuant to the share transfer agreement entered into between Zhejiang Puxing Deneng Natural Gas Power Co., Ltd.*（浙江普星德能然氣發電有限公司）("**Deneng Power Plant**"), an indirect wholly-owned subsidiary of the Company, and Shanghai Puxing dated 6 May 2020 (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 RMB355,851,000 (the "**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 six months period ended 30 June 2020 have been restated to include the operating result of Quzhou Power Plant as set out below:

	The Group (as previously reported) *RMB'000*	Acquired business under common control *RMB'000*	The Group (as restated) *RMB'000*
Operating profit:			
Revenue	186,118	78,417	264,535
Profit before taxation	45,992	37,823	83,815
Profit for the period	30,439	28,071	58,510
Total comprehensive income for the period	24,891	28,071	52,962

The cash flows previously reported by the Group for the six months period ended 30 June 2020 have been restated to include the cash flows of Quzhou Power Plant as set out below:

	The Group (as previously reported) *RMB'000*	Acquired business under common control *RMB'000*	The Group (as restated) *RMB'000*
Net cash generated from operating activities	37,190	33,182	70,372
Net cash used in investing activities	(3,509)	(2,148)	(5,657)
Net cash generated from/(used in) financing activities	7,653	(30,306)	(22,653)
Net increase in cash and cash equivalents	41,334	728	42,062

4. REVENUE

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

Revenue comprises volume tariff revenue, capacity tariff revenue, revenue from sales of heat and revenue from provision of operation and maintenance services.

– 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.

– Revenue from provision of operation and maintenance services represents the provision of operation and maintenance services to corporate entities.

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

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

Revenue from provision of operation and maintenance services is recognised overtime.

(i) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
Electricity:		
– Volume tariff revenue	**74,241**	70,390
– Capacity tariff revenue	**178,925**	178,925
	253,166	249,315
Heat:		
– Revenue from sales of heat	**24,482**	15,220
Service:		
– Revenue from provision of operation and maintenance services	**757**	–
	278,405	264,535

5. PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Interest income	**(140)**	(294)
Finance income	**(140)**	(294)
Interest on interest-bearing borrowings, consideration payable and shareholder's loan	**27,773**	20,045
Interest on lease liabilities	**135**	176
Total interest expense recognised in profit or loss	**27,908**	20,221
Bank charges	**27**	35
Finance expenses	**27,935**	20,256
Net finance costs	**27,795**	19,962

(b) Other items

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Amortisation		
– Intangible assets	**305**	305
Depreciation charge		
– Owned property, plant and equipment	**42,091**	42,531
– Right-of-use assets	**1,834**	1,864

6. INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Current tax		
Provision for the People's Republic of China ("**PRC**") Corporate Income Tax	**20,844**	20,613
Under provision in respect of prior years	**1,889**	313
	22,733	20,926
Deferred tax		
Origination and reversal of temporary differences	**5,060**	4,379
Total income tax expense in the consolidated statement of profit or loss	**27,793**	25,305

(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 for the subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2021 and 2020.

(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 the 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. As at 30 June 2021, deferred tax liabilities of RMB18,980,000 (31 December 2020: RMB12,003,000) have been recognised in connection with the withholding tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries.

7. 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 RMB58,548,000 (six months ended 30 June 2020 (restated): RMB58,510,000) and the weighted average of 458,600,000 ordinary shares (six months ended 30 June 2020: 458,600,000 ordinary shares) in issue during the six months ended 30 June 2021.

(b) Diluted earnings per share

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 June 2021 and 2020 as there were no dilutive potential shares during the periods.

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2021	At 31 December 2020
	RMB'000	*RMB'000*
Trade receivables	**40,865**	43,545
Bills receivable	**–**	1,790
Trade and bills receivables	**40,865**	45,335
Prepayments	**1,468**	998
Other receivables	**1,637**	2,286
Total	**43,970**	48,619

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

At 30 June 2021, ageing analysis of trade receivables of the Group based on the invoice date is as follows:

	At 30 June 2021	At 31 December 2020
	RMB'000	*RMB'000*
Within 1 month	**39,879**	43,545
Over 1 month but less than 6 months	**986**	–
Total	**40,865**	43,545

9. INTEREST-BEARING BORROWINGS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Unsecured loans from related parties (i)	**515,499**	444,445
Unsecured bank loans guaranteed by a related party (ii)	**187,505**	330,745
	703,004	775,190
Reconciliation to the consolidated statement of financial position:		
Current liabilities	**327,754**	274,440
Non-current liabilities	**375,250**	500,750
	703,004	775,190

(i) Unsecured loans from related parties as at 30 June 2021 represented loans and accrued interest expense from Wanxiang Finance of RMB435,499,000 (31 December 2020: RMB364,445,000) and loans from Shanghai Puxing of RMB80,000,000 (31 December 2020: RMB80,000,000), which borne interest rates at 4.35%-4.8925% per annum (31 December 2020: 4.35%-4.8925% per annum).

(ii) The bank loans and accrued interest expense as at 30 June 2021 of RMB27,037,000 (31 December 2020: RMB54,081,000) and RMB160,468,000 (31 December 2020: RMB276,664,400) were guaranteed by China Wanxiang Holding Co., Ltd.* (中國萬向控股有限公司) ("**China Wanxiang**"), the ultimate controlling company of the Company, and Wanxiang Group respectively. The bank loans borne an interest rate of 4.9% per annum (2020: 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.* (普星(安吉)燃機熱電有限公司) ("**Anji Power Plant**") and Quzhou Power Plant respectively, which are commonly found in lending arrangements with financial institutions. As at 30 June 2021 and 31 December 2020, none of these covenants were breached.

10. TRADE AND OTHER PAYABLE

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Trade payables	**–**	3,078
Other payables and accrued expenses	**34,847**	50,743
	34,847	53,821

As at 30 June 2021, the aging analysis of trade payables of the Group based on the invoice date, is as follows:

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Within 3 months	**–**	2,969
Over 3 months but less than 6 months	**–**	98
Over 6 months but less than 1 year	**–**	11
	–	3,078

11. DIVIDENDS

(a) Dividends payable to equity shareholders attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: HK$ nil).

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2021 *RMB'000*	2020 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the six months ended 30 June 2021, of HK$0.10 per share (six months ended 30 June 2020: HK$0.04 per share)	**37,873**	16,537

12. COMPARATIVE FIGURES

As explained in note 3 to the unaudited condensed consolidated financial information, 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. As of 30 June 2021, the Group has five wholly-owned gas fired power plants in Zhejiang Province, with an aggregate installed capacity of approximately 687.73 megawatt (MW) (including 731 kilowatt (kW) photovoltaic power generating units), representing an increase of 50.3% as compared to 457.58 MW in the corresponding period of last year, and a maximum heating capacity of approximately 360 tons/hour, representing an increase of 125% as compared to 160 tons/hour in the corresponding period of last year. These increases were due to the completion of the acquisition of Quzhou Power Plant by the Group in September 2020.

BUSINESS REVIEW

In the first half of 2021, due to the effective control of the Chinese government on the epidemic situation of COVID-19 pandemic, the social and economic activities have resumed rapidly, and the overall power consumption demand in the society has returned to a stable level.

In the first half of 2021, the production volume of the Group during the period under review increased by 11.69% to 154,489 megawatt hour (MWh), as compared with 138,319MWh (restated) in the corresponding period of last year, attributable to the increase in peak shaving power generation demand of Zhejiang Province and the active participation in the trial run of the trading in electricity spot market carried out in Zhejiang Province. Meanwhile, as the production volume increased during the period under review as compared to the corresponding period of last year, the consumption of natural gas for electricity generation increased accordingly. The Group's natural gas usage for power generation for the first half of 2021 has risen by 14.11% to 35,703,423m^3 from 31,289,244m^3 (restated) in the corresponding period of last year.

During the period under review, the heating business of Anji Power Plant and Quzhou Power Plant was stable. Considering that Quzhou Power Plant began heating in the second half of 2020, the Group's heat sales volume for the six months ended 30 June 2021 increased by 66.89% to 83,954 tons, as compared with 50,304 tons (restated) in the corresponding period of last year, and the revenue from sales of heat increased by 60.85% to RMB24,482,000, as compared with RMB15,220,000 (restated) in the corresponding period of last year. The contribution margin ratio also increased by 9.1 percentage points to 25.81% compared with 16.71% (restated) in the corresponding period of last year. In response to the increase in heat sales volume during the period under review, the natural gas usage for heating increased by 62.42% to 7,759,476m^3, as compared with 4,777,302m^3 (restated) in the corresponding period of last year.

During the period under review, Zhejiang Provincial Development and Reform Commission announced "Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Adjustment of Provincial Gate Station Price for Natural Gas in Non-heating Seasons" (Zhe Fa Gai Jia Ge [2021] No.114) and "Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Clarifying of On-grid Tariff of Natural Gas Power Generating Units" (Zhe Fa Gai Jia Ge [2021] No.263) on 15 April 2021 and 30 June 2021, respectively, to adjust the volume tariff of natural gas power generating units and gate station price for natural gas (inclusive of value-added tax (VAT)).

At the same time, under the organization of the Energy Bureau of Zhejiang Province, the power plants subordinate to the Group (except Zhejiang Puxing Jingxing Natural Gas Power Co., Ltd.*（浙江普星京興然氣發電有限公司）("**Jingxing Power Plant**") signed a special contract for natural gas sales from April to October 2021 with PetroChina Company Limited Zhejiang Sale Branch*（中國石油天然氣股份有限公司天然氣銷售浙江分公司）during the period under review, with a total contract volume of 100.94 million m^3, and the unit price of natural gas (inclusive of VAT) is RMB2/m^3. As a result, the Group's suppliers have increased from one to two.

After adjustments during the period under review, the volume tariff (inclusive of VAT) of each of Deneng Power Plant and Zhejiang Puxing Bluesky Natural Gas Power Co., Ltd.*（浙江普星藍天然氣發電有限公司）("**Bluesky Power Plant**") under the Group was adjusted from RMB0.6319/kilowatt hour (kWh) at the beginning of the period to RMB0.4650/kWh at the end of the period, representing a decrease of approximately 26.41%; the volume tariff (inclusive of VAT) of Jingxing Power Plant was adjusted from RMB0.6319/kWh at the beginning of the period to RMB0.5821/kWh at the end of the period, representing a decrease of approximately 7.88%; the volume tariff (inclusive of VAT) of Quzhou Power Plant and Anji Power Plant was adjusted from RMB0.5719/kWh at the beginning of the period to RMB0.4335/kWh at the end of the period, representing a decrease of approximately 24.20%; the price of natural gas (inclusive of VAT) of Deneng Power Plant, Bluesky Power Plant, Anji Power Plant and Quzhou Power Plant under the Group was also lowered from RMB2.62/m^3 at the beginning of the period to RMB2.00/m^3 at the end of the period, representing a decrease of approximately 23.66%; the price of natural gas (inclusive of VAT) of Jingxing Power Plant under the Group was also lowered from RMB2.62/m^3 at the beginning of the period to RMB2.38/m^3 at the end of the period, representing a decrease of approximately 9.16%; the capacity tariff of each power plant remained unchanged.

Production Volume

Natural Gas Power Generation

In order to facilitate the trial implementation of the dual tariff policy for natural gas power generating units by Zhejiang Province, the relevant government authorities in Zhejiang Province have organized the 2021 production plan for natural gas power generating units based on the maximum demand within the power grid during the period under review. In response to the adjustment to the overall electricity procurement demand in Zhejiang Province in the first half of 2021 according to the regional power grid security requirements, as well as the Group's active participation in the trial run of the trading in electricity spot market carried out in Zhejiang Province in the first half of 2021, the Group's natural gas production volume was 154,489MWh (for the six months ended 30 June 2020: 138,319MWh (restated)), representing an increase of 11.69% as compared to the corresponding period of last year.

Photovoltaic Power Generation

For the six months ended 30 June 2021, electricity generated by photovoltaic power was approximately 384MWh (for the six months ended 30 June 2020: 387MWh (restated)), of which approximately 48MWh (for the six months ended 30 June 2020: 45MWh (restated)) was sold to the power grid.

Through the photovoltaic power generation during the period under review, the Group saved power consumption cost of RMB168,000 (for the six months ended 30 June 2020: RMB186,000 (restated)) and realised a revenue of RMB65,000 (for the six months ended 30 June 2020: RMB66,000 (restated)).

Heat Sales Volume

During the period under review, the Group sold 83,954 tons (for the six months ended 30 June 2020: 50,304 tons (restated)) of steam with average selling price (inclusive of VAT) of approximately RMB317.86/ton (for the six months ended 30 June 2020: RMB329.79/ton (restated)), representing an increase of 66.89% and a decrease of 3.62%, respectively, as compared to the corresponding period of last year.

For the six months ended 30 June 2021, the revenue and contribution margin (calculated based on revenue from sales of heat minus variable costs associated with the heating production) from sales of heat of the Group were RMB24,482,000 (for the six months ended 30 June 2020: RMB15,220,000 (restated)) and RMB6,318,000 (for the six months ended 30 June 2020: RMB2,543,000 (restated)), respectively. The contribution margin ratio for sales of heat was 25.81% (for the six months ended 30 June 2020: 16.71% (restated)), representing an increase of 9.1 percentage points as compared to the corresponding period of last year.

Fuel Cost and Natural Gas Usage

As the power generation increased in the first half of 2021, the Group's total consumption of natural gas for the six months ended 30 June 2021 was 43,462,899m^3 (including 7,759,476m^3 for heating), representing an increase of 20.51% as compared to 36,066,546m^3 (restated) (including 4,777,302m^3 (restated) for heating) for the corresponding period of last year.

The Group's average unit fuel cost for power generation was approximately RMB473.79/MWh, representing a decrease of 8.81% as compared to approximately RMB519.56/MWh (restated) in the corresponding period of last year. The average unit fuel cost for heating was approximately RMB193.36/ton, representing a decrease of 13.24% as compared to approximately RMB222.87/ton (restated) in the corresponding period of last year. Both 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 period under review as compared to the corresponding period of last year.

For the six months ended 30 June 2021, fuel costs amounted to RMB89,429,000, representing an increase of 7.65% as compared to RMB83,077,000 (restated) in the corresponding period of last year. Fuel costs accounted for 90.65% 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 6.47 percentage points as compared to 97.12% (restated) in the corresponding period of last year. Such decrease was mainly attributable to the increase in related volume tariff revenue as a result of the Group's active participation in the trading in the electricity spot market trialled in Zhejiang Province during the period under review.

FINANCIAL REVIEW

Benefiting from the increase in profit from operations during the period under review, the profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 was RMB58,548,000, representing an increase of 0.06% as compared to RMB58,510,000 (restated) in the corresponding period of last year. For the six months ended 30 June 2021, the basic and diluted earnings per share of the Company amounted to RMB0.128, which is basically the same as RMB0.128 (restated) for the corresponding period of last year.

Revenue

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

Attributable to the increase in peak shaving power generation demand of Zhejiang Province and the Group's active participation in the trial run of the trading in the electricity spot market carried out in Zhejiang Province, revenue of the Group for the six months ended 30 June 2021 amounted to RMB278,405,000 (for the six months ended 30 June 2020: RMB264,535,000 (restated)), representing an increase of 5.24% as compared to the corresponding period of last year.

Operating Expenses

During the period under review, the Group's operating expenses mainly comprised fuel consumption, depreciation and amortisation, repairs and maintenance, staff costs and administrative expenses. For the six months ended 30 June 2021, the operating expenses of the Group amounted to RMB167,556,000 (for the six months 30 June 2020: RMB162,006,000 (restated)), representing an increase of 3.43% as compared to the corresponding period of last year. The increase in operating expenses was mainly due to increase in fuel consumption as a result of the increase in production volume and increase in repairs and maintenance expenses during the period under review, which offset the significant decrease in administrative expenses.

Profit from Operations

Benefiting from the increase in production volume during the period under review, the Group's profit from operations for the six months ended 30 June 2021 amounted to RMB110,849,000 (for the six months ended 30 June 2020: RMB102,529,000 (restated)), representing an increase of 8.11% as compared to the corresponding period of last year.

Finance Costs

For the six months ended 30 June 2021, net finance costs of the Group amounted to RMB27,795,000 (for the six months ended 30 June 2020: RMB19,962,000 (restated)), representing an increase of 39.24% as compared to the corresponding period of last year. The increase in net finance costs was mainly due to the increase in consideration payable during the period under review as a result of the completion of acquisition of Quzhou Power Plant by the Group in the second half of last year.

Income Tax

For the six months ended 30 June 2021, income tax expenses of the Group amounted to RMB27,793,000 (for the six months ended 30 June 2020: RMB25,305,000 (restated)), representing an increase of 9.83% as compared to the corresponding period of last year. The increase in income tax expenses was mainly due to the increase in profit from operations.

Earnings per Share

For the six months ended 30 June 2021, profit attributable to equity shareholders of the Company amounted to RMB58,548,000 (for the six months ended 30 June 2020: RMB58,510,000 (restated)). The basic and diluted earnings per share amounted to RMB0.128 (for the six months ended 30 June 2020: RMB0.128 (restated)), which is basically the same as the corresponding period of last year.

Major Acquisitions and Disposals

The Group had no major acquisition and disposal relating to its subsidiaries, associates and joint ventures during the period under review.

Significant Investment Activities

The Group had no significant investment activity during the period under review.

Liquidity and Financial Resources

Cash and cash equivalents of the Group are denominated in Renminbi (RMB) and Hong Kong Dollar (HKD). As at 30 June 2021, cash and cash equivalents of the Group amounted to RMB107,859,000 (31 December 2020: RMB131,964,000), of which RMB8,416,000 (31 December 2020: RMB48,753,000) was denominated in HKD.

As at 30 June 2021, the Group had current assets of RMB210,840,000 (31 December 2020: RMB239,543,000), current liabilities of RMB483,393,000 (31 December 2020: RMB453,781,000), net current liabilities of RMB272,553,000 (31 December 2020: RMB214,238,000), and current ratio of 0.44 (31 December 2020: 0.53). The decrease in current ratio was mainly due to the increase in part of working capital loans to ensure the turnover of working capital for production as a result of the increase in production volume of the Group during the period under review.

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. Meanwhile, 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 debts of the Group are denominated in RMB and HKD. As at 30 June 2021, the Group had total debts of RMB1,117,939,000 (31 December 2020: RMB1,181,844,000), including shareholder's loan of HK$111,238,000 (equivalent to approximately RMB92,559,000) (31 December 2020: HK$108,602,000 (equivalent to approximately RMB91,404,000)) and lease liabilities of HK$531,000 (equivalent to approximately RMB442,000) (31 December 2020: HK$134,000 (equivalent to approximately RMB113,000)).

Details of the Group's debts as at 30 June 2021 and 31 December 2020 are listed below:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
Unsecured loans from related parties	**515,499**	444,445
Unsecured bank loans guaranteed by a related party	**187,505**	330,745
Shareholder's loan	**92,559**	91,404
Consideration payable	**317,150**	309,462
Lease liabilities	**5,226**	5,788
	1,117,939	1,181,844

The above debts are repayable as follows:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
Within 1 year	**433,393**	377,621
Over 1 year but less than 2 years	**503,287**	624,904
Over 2 years but less than 5 years	**181,259**	179,319
	1,117,939	1,181,844

Among the above debts, RMB414,935,000 (31 December 2020: RMB406,654,000) were fixed rate debts, of which RMB93,001,000 (31 December 2020: RMB91,517,000) were denominated in HKD. The remaining debts were denominated in RMB, and bearing interest rates ranging from 4.35% to 5% per annum (31 December 2020: 4.35% to 5% per annum).

Gearing Ratio

The Group's gearing ratio is calculated as net liabilities divided by total capital. Net liabilities are calculated as total debts (including interest-bearing borrowings, shareholder's loan, consideration payable and lease liabilities as stated in consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity attributable to equity shareholders of the Company plus net liabilities as stated in consolidated statement of financial position. As at 30 June 2021, the Group's gearing ratio was 60.05% (31 December 2020: 61.72%).

Capital Expenditures

For the six months ended 30 June 2021, the Group invested RMB12,045,000 (for the six months ended 30 June 2020: RMB5,951,000), which was mainly used in the construction of heat grid and technological renovation of equipment.

Capital Commitments

As at 30 June 2021, the Group had capital commitments of RMB64,744,000 (31 December 2020: RMB75,678,000) 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 30 June 2021 and 31 December 2020, the Group had no assets pledged.

Contingent Liabilities

As at 30 June 2021 and 31 December 2020, the Group had no material contingent liability.

Foreign Exchange Risk

The Group primarily operates its business in the PRC and most of the transactions are settled in RMB. Except for certain cash and cash equivalents and borrowings that are denominated in HKD, 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 derivatives for the time being. However, the management of the Group will continue monitoring its foreign currency exposure and will consider hedging significant foreign exchange risk should the need arise.

Employees and Remuneration Policy

As at 30 June 2021, the Group had a total of 289 employees (31 December 2020: 293 employees, excluding 7 trainees).

For the six months ended 30 June 2021, total employees' remuneration (including Directors' remuneration and benefits) was RMB14,728,000 (for the six months ended 30 June 2020: RMB14,306,000 (restated)). 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

In 2021, the Chinese government is firmly committed to the "dual carbon" goal of carbon peak and carbon neutrality, and has actively released related policies on carbon trading and energy storage. This means that it will be more determined to accelerate the development of new energy, optimize the energy structure and embark on a green, low-carbon, and circular development path with the aim of achieving high-quality economic 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 towards the development of diversified energy business. Although the continuous instability of the 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 Puxing Energy, and continue maximising the shareholders' interests and returns.

Apart from those matters as set out above, the management discussion and analysis have not materially changed from the information previously disclosed in the 2020 annual report of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK$nil).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

CORPORATE GOVERNANCE

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2021. KPMG, the Group's external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2021 in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website (www.puxing-energy.com) and the Stock Exchange's website (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules shall be despatched to the shareholders of the Company and made available on the aforesaid websites in due course.

By order of the Board
Puxing Energy Limited
Xu Anliang
Chairman

Hong Kong, 27 August 2021

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

* *For identification purpose only*