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PUXING ENERGY LIMITED
普星能量有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 90)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS			
	For the year ended		
	31 December		
	2021	2020	
	RMB'000	RMB'000	Change
Revenue	601,573	580,240	+3.68%
Profit from operations	202,538	191,533	+5.75%
Profit attributable to equity shareholders of the Company	103,825	124,190	-16.40%
Basic earnings per share	RMB0.226	RMB0.271	-16.61%
Dividend per share			
– Interim	Nil	Nil	0%
– Proposed final	HK\$0.056	HK\$0.10	-44.00%
	At 31 December		
	2021	2020	
	RMB'000	RMB'000	Change
Total assets	1,858,347	1,937,023	-4.06%
Total equity attributable to equity shareholders of the Company	718,866	651,200	+10.39%
Net asset value per share ¹	RMB1.57	RMB1.42	+10.56%
Net debt ²	942,860	1,049,880	-10.19%
Total capital ³	1,661,726	1,701,080	-2.31%
Gearing ratio ⁴	56.74%	61.72%	-4.98%

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

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 2021, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	4	601,573	580,240
Operating expenses			
Fuel consumption		(228,361)	(215,307)
Depreciation and amortisation		(88,097)	(89,007)
Repairs and maintenance		(14,238)	(10,576)
Personnel costs	5(b)	(37,484)	(34,634)
Administrative expenses		(21,322)	(30,292)
Sales related taxes		(6,055)	(5,286)
Other operating expenses		(3,478)	(3,605)
Profit from operations		202,538	191,533
Finance income		367	22,653
Finance expenses		(53,782)	(45,305)
Net finance costs	5(a)	(53,415)	(22,652)
Other income		5,068	2,471

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation	5	154,191	171,352
Income tax	6	<u>(50,399)</u>	<u>(47,678)</u>
Profit for the year		<u>103,792</u>	<u>123,674</u>
Attributable to:			
Equity shareholders of the Company		103,825	124,190
Non-controlling interests		<u>(33)</u>	<u>(516)</u>
Profit for the year		<u>103,792</u>	<u>123,674</u>
Earnings per share			
Basic (<i>RMB</i>)	8(a)	<u>0.226</u>	<u>0.271</u>
Diluted (<i>RMB</i>)	8(b)	<u>0.226</u>	<u>0.271</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year	103,792	123,674
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	(5,872)	(3,336)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	7,591	(1,237)
Total comprehensive income for the year	105,511	119,101
Attributable to:		
Equity shareholders of the Company	105,544	119,617
Non-controlling interests	(33)	(516)
Total comprehensive income for the year	105,511	119,101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,614,923	1,693,926
Intangible assets		384	711
Deferred tax assets		5,923	2,843
Other non-current asset		8,424	–
		1,629,654	1,697,480
Current assets			
Inventories		58,851	58,960
Trade and other receivables	9	93,755	48,619
Cash and cash equivalents		76,087	131,964
		228,693	239,543
Current liabilities			
Shareholder's loan		93,138	–
Interest-bearing borrowings	10	286,438	274,440
Consideration payable	11	106,226	101,181
Trade and other payables	12	49,872	53,821
Lease liabilities		247	2,000
Current taxation		29,382	22,339
		565,303	453,781
Net current liabilities		(336,610)	(214,238)
Total assets less current liabilities		1,293,044	1,483,242

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current liabilities			
Shareholder's loan		–	91,404
Interest-bearing borrowings	<i>10</i>	431,000	500,750
Consideration payable	<i>11</i>	101,819	208,281
Lease liabilities		79	3,788
Deferred revenue		11,494	11,371
Deferred tax liabilities		29,799	16,433
		<u>574,191</u>	<u>832,027</u>
NET ASSETS		<u>718,853</u>	<u>651,215</u>
CAPITAL AND RESERVES			
Share capital		40,149	40,149
Reserves		678,717	611,051
Total equity attributable to equity shareholders of the Company		718,866	651,200
Non-controlling interests		<u>(13)</u>	<u>15</u>
TOTAL EQUITY		<u>718,853</u>	<u>651,215</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021 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 2021, the Group had net current liabilities of RMB336,610,000 (31 December 2020: RMB214,238,000). 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 2021 of RMB309 million granted by Wanxiang Finance Co., Ltd. (“**Wanxiang Finance**”), a fellow subsidiary of the Company, and the ability of the Group to obtain or renew bank loans and other financing facilities from related parties, including Wanxiang Finance, 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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 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 financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

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 there is no impact on the Group’s consolidated financial statements for the year ended 31 December 2021.

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 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.

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers		
within the scope of IFRS 15		
Disaggregated by major products:		
Electricity:		
Volume tariff revenue	188,802	187,344
Capacity tariff revenue	357,849	357,849
	546,651	545,193
Heat:		
Revenue from sales of heat	53,650	35,047
Service:		
Revenue from provision of operation and maintenance services	1,272	–
	601,573	580,240

The Group's customer base is concentrated and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2021, volume tariff revenue and capacity tariff revenue from this customer (including its subsidiaries) amounted to RMB546,651,000 (2020: RMB545,193,000).

5. PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income	(367)	(721)
Net foreign exchange gain	—	(21,932)
Finance income	(367)	(22,653)
Interest on interest-bearing borrowings, consideration payable and shareholder's loan	53,543	44,908
Interest on lease liabilities	201	333
Total interest expense recognised in profit or loss	53,744	45,241
Bank charges	38	64
Finance expenses	53,782	45,305
Net finance costs	<u>53,415</u>	<u>22,652</u>

(b) Personnel costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Wages, salaries and other benefits	35,013	34,144
Contribution to defined contribution plans	2,471	490
	<u>37,484</u>	<u>34,634</u>

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.

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**

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Net loss on disposal of property, plant and equipment	1,521	2,790
Depreciation charge		
– Owned property, plant and equipment	84,124	84,692
– Right-of-use assets – land use rights	1,698	1,698
– Right-of-use assets – other properties	1,593	2,006
Amortisation		
– Intangible assets	682	611
Expense relating to short-term leases	45	107
Auditor’s remuneration		
– audit services	1,650	1,540
– other services	143	1,980
	<u>143</u>	<u>1,980</u>

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

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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Current tax		
PRC Corporate Income Tax	38,224	38,687
Under-provision in respect of prior years	1,889	177
	<u>40,113</u>	<u>38,864</u>
Deferred tax		
Origination and reversal of temporary differences	10,286	8,814
	<u>10,286</u>	<u>8,814</u>
Total income tax expense in the consolidated statement of profit or loss	<u>50,399</u>	<u>47,678</u>

- (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 2021 and 31 December 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 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.

7. DIVIDENDS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend proposed after the reporting date of HK\$0.056 (2020: HK\$0.10) per share	<u>20,858</u>	<u>38,723</u>

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**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.10 (2020: HK\$0.04) per share	<u>37,873</u>	<u>16,537</u>

8. 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 RMB103,825,000 (2020: RMB124,190,000) and the weighted average of 458,600,000 (2020: 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 2021 and 31 December 2020 as there were no dilutive potential shares during both years.

9. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	90,859	43,545
Bills receivable	–	1,790
Prepayments	1,220	998
Other receivables	1,676	2,286
	<u>93,755</u>	<u>48,619</u>

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

At 31 December 2021, ageing analysis of trade receivables of the Group based on the invoice date is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	90,397	43,545
After 1 month but within 6 months	462	–
	<u>90,859</u>	<u>43,545</u>

10. INTEREST-BEARING BORROWINGS

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Unsecured loans from related parties (i)	531,421	444,445
Unsecured bank loans guaranteed by related parties (ii)	115,924	330,745
Unsecured bank loans	70,093	–
	<u>717,438</u>	<u>775,190</u>

Reconciliation to the consolidated statement of financial position:

Current liabilities	286,438	274,440
Non-current liabilities	431,000	500,750
	<u>717,438</u>	<u>775,190</u>

- (i) Unsecured loans from related parties as at 31 December 2021 represented loans and accrued interest expense from Wanxiang Finance of RMB461,421,000 (31 December 2020: RMB364,445,000) and loans from Shanghai Pu-Xing Energy Limited (“**Shanghai Puxing**”) of RMB70,000,000 (31 December 2020: RMB80,000,000), which borne interest at 4.4805% – 4.8925% per annum (31 December 2020: 4.35% – 4.8925% per annum).
- (ii) The bank loans and accrued interest expenses guaranteed by related parties as at 31 December 2021 of RMB13,520,000 (31 December 2020: RMB54,081,000) and RMB102,404,000 (31 December 2020: RMB276,664,400) were guaranteed by China Wanxiang Holding Co., Ltd. and Wanxiang Group Corporation (“**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. (“**Anji Power Plant**”) and Quzhou Puxing Gas Turbine Thermal Power Co., Ltd. (“**Quzhou Power Plant**”) respectively, which are commonly found in lending arrangements with financial institutions. As at 31 December 2021 and 31 December 2020, none of these covenants were breached.

11. CONSIDERATION PAYABLE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current	106,226	101,181
Non-current	<u>101,819</u>	<u>208,281</u>
	<u><u>208,045</u></u>	<u><u>309,462</u></u>

Pursuant to the share transfer 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 then intermediate parent company of the Company, (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 RMB355.85 million (the “**Final Consideration**”).

According to the Share Purchase Agreement, the Final Consideration should be paid in four installments in the manner set out in the Share Purchase Agreement and the outstanding Final Consideration bears a fixed interest rate of 5% per annum.

The first payment of RMB50,000,000 and the second payment of RMB110,000,000 were fully repaid in October 2020 and September 2021 respectively, and the remaining parts of RMB100,000,000 and RMB95,851,000 with related interest expense will be repayable on 8 October 2022 and 8 October 2023 respectively.

12. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	5,453	3,078
Other payables and accrued expenses	<u>44,419</u>	<u>50,743</u>
	<u><u>49,872</u></u>	<u><u>53,821</u></u>

As at 31 December 2021, the ageing analysis of trade payables of the Group based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	5,453	2,969
Over 3 months but less than 6 months	–	98
Over 6 months but less than 1 year	<u>–</u>	<u>11</u>
	<u><u>5,453</u></u>	<u><u>3,078</u></u>

13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (i) After the reporting date, the Directors proposed a final dividend on 30 March 2022. Further details are disclosed in note 7.

- (ii) Pursuant to the “Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Optimising the Province’s On-grid Tariff of Natural Gas Power Generation” (“**Zhe Fa Gai Jia Ge [2021] No. 357**”), the capacity tariff of Deneng Power Plant, Zhejiang Puxing Jingxing Natural Gas Power Co., Ltd. (“**Jingxing Power Plant**”) and Zhejiang Puxing Bluesky Natural Gas Power Co., Ltd. (“**Bluesky Power Plant**”) under the Group was adjusted from RMB470/kilowatt (“kW”) (value-add tax (“VAT”) inclusive) per year to RMB394.8/kW (VAT inclusive) per year since 1 January 2022, and the capacity tariff of Anji Power Plant and Quzhou Power Plant under the Group was adjusted from RMB680/kW (VAT inclusive) per year to RMB571.2/kW (VAT inclusive) per year since 1 January 2022. The above reduction in capacity tariff will result in the decrease of the Group’s annual revenue by approximately RMB57 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is mainly engaged in the development, operation and management of natural gas-fired power plants. The Group has five wholly-owned gas-fired power plants in Zhejiang Province, with an aggregate installed capacity of 687.73 megawatt (MW) (2020: 687.73MW) (including 731kW (2020: 731kW) photovoltaic power generating units) with a maximum heating capacity per hour of 360 tons (2020: 360 tons).

BUSINESS REVIEW

In 2021, COVID-19 swept the world continuously. With the efforts of the central government of the PRC to keep COVID-19 under strict control and prevention, the social and economic activities have resumed rapidly and the overall power consumption demand in the society has returned to a stable level. During the year, the Group's production and operation were generally stable. The production volume of the Group for the year ended 31 December 2021 decreased by 0.48% to 383,230.2 MWh as compared to 385,094.6 MWh in 2020. Meanwhile, with the increase in heat sales volume during the year, the total consumption of natural gas increased by 6.58% to 102,768,108 m³ from 96,420,405 m³ in 2020.

During the year, the Group completed the construction of approximately 5km heat grid in Tangpu Industrial Park, Anji County, Zhejiang Province. Benefiting from the continuous strengthening of heat grid construction and expansion of heating market of the Group, for the year ended 31 December 2021, the Group's heat sales volume increased by 44.23% to 173,791 tons as compared to 120,494 tons in 2020, the revenue from sales of heat increased by 53.08% to RMB53,650,000 as compared to RMB35,047,000 in 2020, the contribution margin ratio of sales of heat rose by 10.98 percentage points to 26.92% as compared to 15.94% in 2020. Due to the increase in heat sales volume, the consumption of natural gas for heating increased by 37.28% to 15,996,278 m³ as compared to 11,651,974 m³ in 2020.

During the year, Zhejiang Province Development and Reform Commission (the “ZDRC”) adjusted the volume tariff of natural gas power generating units and gate station price for natural gas (inclusive of VAT) for several times. After several adjustments during the year, the volume tariff (inclusive of VAT) of each of Deneng Power Plant, Bluesky Power Plant and Jingxing Power Plant under the Group was adjusted from RMB0.6319/kilowatt hour (kWh) at the beginning of the year to RMB0.7027/kWh at the end of the year, representing an increase of approximately 11.20%; the volume tariff (inclusive of VAT) of Anji Power Plant and Quzhou Power Plant was adjusted from RMB0.5719/kWh at the beginning of the year to RMB0.6453/kWh at the end of the year, representing an increase of approximately 12.83%; the price of natural gas (inclusive of VAT) of power plants under the Group was also adjusted from RMB2.62/m³ at the beginning of the year to RMB3.05/m³ at the end of the year, representing an increase of approximately 16.41%; the capacity tariff of the power plants (inclusive of VAT) remained unchanged. However, as a result of a cut in the capacity tariff for 16% with effective from 1 January 2022 announced by ZDRC during the year, the capacity tariff (inclusive of VAT) of Deneng Power Plant, Bluesky Power Plant and Jingxing Power Plant under the Group will be adjusted from RMB470/kW per year to RMB394.8/kW per year, and the same for Anji Power Plant and Quzhou Power Plant will be adjusted from RMB680/kW per year to RMB571.2/kW per year.

Equity Installed Capacity

As at 31 December 2021, the equity installed capacity of power plants held and operated by the Group are 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

Production Volume

Natural Gas Power Generation

In order to facilitate the the Dual Tariff Policy, the relevant government authorities in Zhejiang Province have organised the 2021 production plan for natural gas power generating units based on the peak demand within the power grid during the year. In response to the adjustment to the overall electricity procurement demand in Zhejiang Province according to the safety requirements of regional power grid in 2021 and the Group's 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 power generating units of the Group for the year ended 31 December 2021 decreased by 0.48% to 383,230.2MWh (equivalent to approximately 557.8 hours of full load power generation) as compared to 385,094.6MWh (equivalent to approximately 560.5 hours of full load power generation) in 2020.

Photovoltaic Power Generation

The electricity generated from the Group's photovoltaic generating units is mainly used to supplement the auxiliary power consumption rate of the power plants, and the remainder will be sold to the power grid.

For the year ended 31 December 2021, photovoltaics production volume of the Group was approximately 791MWh (2020: approximately 771MWh), of which approximately 100MWh (2020: approximately 85MWh) was sold to the power grid.

Through photovoltaic power generation during the year, the Group saved power consumption cost of RMB348,000 (2020: RMB369,000) and realised a revenue from sales of heat of RMB138,000 (2020: RMB131,000).

Heat Sales Volume

The Anji Power Plant and Quzhou Power Plant under the Group provide steam to manufacturers near heating pipelines. During the year, the Group completed the construction of approximately 5km heat grid in Tangpu Industrial Park, Anji County, Zhejiang Province, and cooperated with enterprises in the park to use their biomass boilers as peak shaving boilers to carry out heating trial run for heating operation in Tangpu Industrial Park, and has been introducing heat users gradually.

During the year, benefiting from the continuous strengthening of heat grid construction and expansion of heating market of the Group, the Group's heat sales volume for the year ended 31 December 2021 increased by 44.23% to 173,791 tons as compared to 120,494 tons in 2020; the average selling price (inclusive of VAT) increased by 6.17% to approximately RMB336.48/ton as compared to approximately RMB316.92/ton in 2020.

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 for the year ended 31 December 2021 were RMB53,650,000 (2020: RMB35,047,000) and RMB14,444,000 (2020: RMB5,585,000), respectively. The contribution margin ratio for sales of heat was 26.92% (2020: 15.94%), representing an increase of 10.98 percentage points as compared to 2020.

Fuel Cost and Natural Gas Usage

All power plants under the Group use natural gas as fuel for power generation, while Anji Power Plant and Quzhou Power Plant under the Group 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 mainly provided by the supplier of the Group, namely Zhejiang Zheneng Natural Gas Pipeline Network Co., Ltd. During the year, under the organisation of the Energy Bureau in Zhejiang Province, the power plants under the Group (except Jingxing Power Plant) signed a special contract for natural gas sales from April 2021 to October 2021 with PetroChina Company Limited Zhejiang Sale Branch, with a total contract volume of 100.94 million m³, and the unit price of natural gas (inclusive of VAT) was RMB2/m³.

The natural gas price in Zhejiang Province is determined by ZDRC. According to the adjustment of natural gas price made by ZDRC during the year, the price of natural gas (inclusive of VAT) of each power plant under the Group was adjusted from RMB2.62/m³ at the beginning of the year to RMB3.05/m³ at the end of the year, increasing by approximately 16.41%.

Due to the increase in production volume and heat sales volume during the year, the Group's total consumption of natural gas for the year ended 31 December 2021 was 102,768,108 m³ (including 15,996,278 m³ for heating), representing an increase of 6.58% as compared to 96,420,405 m³ (including 11,651,974 m³ for heating) in 2020. The Group's average unit fuel cost for power generation was approximately RMB504.36/MWh (2020: approximately RMB490.86/MWh), representing an increase of 2.75% as compared to 2020; the increase in the average unit fuel cost of power generation was mainly due to the increase in the average cost of natural gas during the year. The average unit fuel cost of heating was approximately RMB201.80/ton (2020: approximately RMB218.10/ton), representing a decrease of 7.47% as compared to 2020; the decrease in the average unit fuel cost of heating was mainly due to the improvement of heating efficiency as a result of the increase in heat supply during the year.

For the year ended 31 December 2021, fuel costs amounted to RMB228,361,000, representing an increase of 6.06% as compared to RMB215,307,000 in 2020. Fuel costs accounted for 94.24% 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 2.57 percentage points as compared to 96.81% in 2020. Such decrease was mainly benefitted from the improvement of heating efficiency as a result of the increase of heat supply during the year.

FINANCIAL REVIEW

The profit attributable to equity shareholders of the Company for the year ended 31 December 2021 was RMB103,825,000, representing a decrease of RMB20,365,000 or 16.40%, as compared to RMB124,190,000 in 2020. For the year ended 31 December 2021, the basic and diluted earnings per share of the Company amounted to RMB0.226, representing a decrease of 16.61% as compared to RMB0.271 in 2020.

Revenue

Revenue of the Group comprises volume tariff revenue, capacity tariff revenue, revenue from sales of heat and revenue from provision of operation and maintenance services. Benefiting from the increase in the Group's heat sales volume and the average selling price of heat, revenue of the Group for the year ended 31 December 2021 amounted to RMB601,573,000, representing an increase of RMB21,333,000 or 3.68% as compared to RMB580,240,000 in 2020.

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 2021, the Group's operating expenses were RMB399,035,000, representing an increase of RMB10,328,000 or 2.66% as compared to RMB388,707,000 in 2020. The increase in operating expenses was mainly due to the increase in fuel costs along with the heat supply.

Profit from Operations

Benefiting from the increase in heat supply and the improvement in heating efficiency, the Group's profit from operations for the year ended 31 December 2021 was RMB202,538,000, representing an increase of RMB11,005,000 or 5.75% as compared to RMB191,533,000 in 2020.

Finance Costs

For the year ended 31 December 2021, net finance costs of the Group amounted to RMB53,415,000, representing a significant increase of RMB30,763,000 or 135.81% as compared to RMB22,652,000 in 2020. The significant increase in net finance costs was primarily due to the increase in interest expenses during the year and the absence of a one-off substantial foreign exchange gain similar to that in 2020 when the Group's subsidiaries in the PRC distributed profits to their holding companies in Hong Kong while the exchange rate between the declaration date and the actual payment date significantly fluctuated.

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 2021, income tax expenses of the Group amounted to RMB50,399,000, representing an increase of RMB2,721,000 or 5.71% as compared to RMB47,678,000 in 2020. The increase in income tax expense was due to the increase in deferred tax arising from the recognition of withholding tax on retained profits of the PRC subsidiaries of the Group, as the Group completed the acquisition of Quzhou Power Plant in September 2020, and the retained profits of Quzhou Power Plant before acquisition had been distributed to its former shareholder, which resulted in the accrued withholding tax for the year 2020 only covered the net profit of Quzhou Power Plant from October 2020 to December 2020 while the accrued withholding tax for the year 2021 covered the full-year net profit of Quzhou Power Plant for 2021.

Earnings per Share

For the year ended 31 December 2021, profit attributable to equity shareholders of the Company amounted to RMB103,825,000 (2020: RMB124,190,000). The basic and diluted earnings per share amounted to RMB0.226, representing a decrease of 16.61% as compared to RMB0.271 in 2020.

Major Acquisitions and Disposals

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

Significant Investment Activities

The Group had no significant investment activity during the year.

Liquidity and Financial Resources

Cash and cash equivalents of the Group are denominated in Renminbi (RMB) and Hong Kong Dollar (HKD). As at 31 December 2021, cash and cash equivalents of the Group amounted to RMB76,087,000 (31 December 2020: RMB131,964,000), of which RMB6,820,000 (31 December 2020: RMB48,753,000) was denominated in HKD.

As at 31 December 2021, the Group had current assets of RMB228,693,000 (31 December 2020: RMB239,543,000), current liabilities of RMB565,303,000 (31 December 2020: RMB453,781,000) and net current liabilities of RMB336,610,000 (31 December 2020: RMB214,238,000) with a current ratio of 0.40 (31 December 2020: 0.53). The decrease in current ratio was mainly attributable to the substantial increase in current liabilities due to the inclusion of shareholder's loans with maturities of less than one year.

As at 31 December 2021, the Groups had unused credit facilities granted by Wanxiang Finance, a subsidiary of Wanxiang Group, of RMB309 million (2020: RMB196 million).

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 and HKD. As at 31 December 2021, the Group had total debts of RMB1,018,947,000 (31 December 2020: RMB1,181,844,000), including shareholder's loan of HK\$113,917,000 (equivalent to approximately RMB93,138,000) (31 December 2020: HK\$108,602,000 (equivalent to approximately RMB91,404,000) and lease liabilities of HK\$399,000 (equivalent to approximately RMB326,000) (31 December 2020: HK\$134,000 (equivalent to approximately RMB113,000)).

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured loans from related parties	531,421	444,445
Unsecured bank loans guaranteed by related parties	115,924	330,745
Unsecured bank loans	70,093	–
Shareholder's loan	93,138	91,404
Consideration payable	208,045	309,462
Lease liabilities	326	5,788
	<hr/>	<hr/>
Total	<u>1,018,947</u>	<u>1,181,844</u>

The above debts are repayable as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	486,049	377,621
Over 1 year but less than 2 years	349,898	624,904
Over 2 years but less than 5 years	183,000	179,319
Total	<u>1,018,947</u>	<u>1,181,844</u>

Among the above debts, RMB301,509,000 (31 December 2020: RMB406,654,000) were fixed-rated debts, of which RMB93,464,000 (31 December 2020: RMB91,517,000) were denominated in 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 at interest rates from 4.35% to 4.90% (2020: 4.35% 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 2021, the Group's gearing ratio was 56.74% (31 December 2020: 61.72%).

Capital Expenditures

For the year ended 31 December 2021, the Group invested RMB17,580,000 (2020: RMB15,822,000) in the construction of heat grid and the technological renovation of equipment.

Capital Commitments

As at 31 December 2021, the Group had capital commitments of RMB56,449,000 (31 December 2020: RMB75,678,000) for the construction of the 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 2021 and 2020, the Group had no assets pledged.

Contingent Liabilities

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

Exchange Rate 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, borrowings and lease liabilities 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 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 2021, the Group had a total of 301 employees, excluding 10 trainees (31 December 2020: 293 employees, excluding 7 trainees). For the year ended 31 December 2021, total employees' remuneration (including Directors' remuneration and benefits) was RMB37,484,000 (2020: RMB34,634,000). 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

2022 will be a challenging year for Puxing Energy. The full implementation of trading in electricity spot market in Zhejiang Province and the cut in capacity tariff will bring comparative great changes to the operation and power generation mode of the Group's power plants with peak shaving as their main roles and bring a severe test to the profitability of Puxing Energy. The Group will closely follow the development of the electricity sales market, study the profit model of electricity sales, strengthen the development of heating business, and cooperate with the continuous promotion of refined management and strict cost control, so as to minimise the impact of policy changes. At the same time, the Group expects to obtain approvals from relevant government authorities within 2022 to commence the construction of the main lines from Anji Power Plant to Tangpu Industrial Park and Kangshan Industrial Park, and to complete the relevant construction in 2023 as planned.

Looking ahead, the government of PRC's firm commitment to the "double carbon" goal of peaking carbon emission and achieving carbon neutrality, firm acceleration in the development of new energy, optimisation of its energy structure, and embarkation on a green, low-carbon and circular development path will bring huge opportunities to the Group for transforming into an integrated energy supplier. The Group will continue taking the development of diversified energy business as its goal, strive for different types of energy projects, and make unremitting efforts to enhance the Group's long-term growth potential and shareholder value.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.056 (2020: HK\$0.10) per share for the year ended 31 December 2021. The proposed final dividend, if approved by the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting of the Company, is expected to be paid on Thursday, 7 July 2022 to the Shareholders whose names appear on the register of members on Thursday, 23 June 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 17 June 2022 (the “**AGM**”). A notice convening the AGM will be published and despatched to the Shareholders in the manner prescribed 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 day no transfer of the shares of the Company (the “**Shares**”) will be registered:

- (i) from Tuesday, 14 June 2022 to Friday, 17 June 2022 (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, 13 June 2022; and
- (ii) on Thursday, 23 June 2022, 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, 22 June 2022.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 of Hong Kong Limited (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 management and reinforce its corporate governance structure.

Save for the deviation as disclosed below, 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 2021:

Code Provision C.1.2

Code provision C.1.2 of the CG Code provides that management of the Company (the "**Management**") should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under rule 3.08 and Chapter 13 of the Listing Rules.

For some months during the year, although the Management did not provide all members of the Board with updates on a monthly basis due to the carelessness of the responsible staff, the Management has provided to all members (including independent non-executive Directors) of the Board updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail at the regular Board meetings of the Company held quarterly. The Management also, in a timely manner, provided updates on any material changes to the performance, position and prospects of the Company, to enable each Director and the Board as whole to discharge their duties required by the Listing Rules. In order to maintain high standards of corporate governance, the Management has revisited and enhanced the related procedures, and will ensure the strict compliance with this Code Provision in the future.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2021.

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 2021 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 2021 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
XU Anliang
Chairman

Hong Kong, 30 March 2022

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.