

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**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 2022**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>For the six months ended 30 June</b>		
	<b>2022</b>	2021	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>Change</b>
Revenue	<b>343,203</b>	278,405	+23.27%
Profit from operations	<b>70,657</b>	110,849	-36.26%
Profit attributable to equity shareholders of the Company	<b>31,748</b>	58,548	-45.77%
Basic earnings per share	<b>RMB0.069</b>	RMB0.128	-46.09%
Dividend per share – Interim	<b>Nil</b>	Nil	0%
	<b>At 30 June</b>	At 31 December	
	<b>2022</b>	2021	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>Change</b>
Total assets	<b>1,845,404</b>	1,858,347	-0.70%
Total equity attributable to equity shareholders of the Company	<b>724,576</b>	718,866	+0.79%
Net asset value per share <sup>1</sup>	<b>RMB1.58</b>	RMB1.57	+0.64%
Net debt <sup>2</sup>	<b>886,847</b>	942,860	-5.94%
Total capital <sup>3</sup>	<b>1,611,423</b>	1,661,726	-3.03%
Gearing ratio <sup>4</sup>	<b>55.04%</b>	56.74%	-1.70%
<i>Notes:</i>			
1.	<u>Total equity attributable to equity shareholders of the Company</u> 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 unaudited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021 as follows:

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2022*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue</b>	3	<b>343,203</b>	278,405
<b>Operating expenses</b>			
Fuel consumption		(199,684)	(89,429)
Depreciation and amortisation		(44,013)	(44,230)
Repairs and maintenance		(5,249)	(5,129)
Personnel costs		(10,397)	(14,728)
Administrative expenses		(10,434)	(9,916)
Sales related taxes		(2,443)	(2,614)
Other operating expenses		(326)	(1,510)
<b>Profit from operations</b>		<b>70,657</b>	110,849
Finance income		232	140
Finance expenses		(21,609)	(27,935)
Net finance costs	4(a)	(21,377)	(27,795)
Other income		3,026	3,254
<b>Profit before taxation</b>	4	<b>52,306</b>	86,308
Income tax	5	(20,560)	(27,793)
<b>Profit for the period</b>		<b>31,746</b>	58,515

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Profit for the period</b>		<b>31,746</b>	58,515
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>31,748</b>	58,548
Non-controlling interests		<u>(2)</u>	<u>(33)</u>
<b>Profit for the period</b>		<b><u>31,746</u></b>	<b><u>58,515</u></b>
<b>Earnings per share</b>			
Basic ( <i>RMB</i> )	<i>6(a)</i>	<b><u>0.069</u></b>	<u>0.128</u>
Diluted ( <i>RMB</i> )	<i>6(b)</i>	<b><u>0.069</u></b>	<u>0.128</u>

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

*For the six months ended 30 June 2022*

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the period</b>	<b>31,746</b>	58,515
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	<b>7,747</b>	(2,804)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>(11,890)</b>	3,014
<b>Total comprehensive income for the period</b>	<b>27,603</b>	58,725
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>27,605</b>	58,758
Non-controlling interests	<b>(2)</b>	(33)
<b>Total comprehensive income for the period</b>	<b>27,603</b>	58,725

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		1,571,743	1,614,923
Intangible assets		270	384
Deferred tax assets		2,824	5,923
Other non-current asset		6,242	8,424
		1,581,079	1,629,654
		1,581,079	1,629,654
<b>Current assets</b>			
Inventories		58,817	58,851
Trade and other receivables	7	63,385	93,755
Cash and cash equivalents		142,123	76,087
		264,325	228,693
		264,325	228,693
<b>Current liabilities</b>			
Shareholder's loan		99,674	93,138
Interest-bearing borrowings	8	214,937	286,438
Consideration payable		108,740	106,226
Trade and other payables	9	39,991	49,872
Lease liabilities		299	247
Current taxation		20,869	29,382
		484,510	565,303
		484,510	565,303
<b>Net current liabilities</b>		<b>(220,185)</b>	<b>(336,610)</b>
<b>Total assets less current liabilities</b>		<b>1,360,894</b>	<b>1,293,044</b>

		At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Interest-bearing borrowings	8	501,000	431,000
Consideration payable		104,229	101,819
Lease liabilities		91	79
Deferred revenue		11,293	11,494
Deferred tax liabilities		19,720	29,799
		<u>636,333</u>	<u>574,191</u>
<b>Net assets</b>		<u><b>724,561</b></u>	<u><b>718,853</b></u>
<b>Capital and reserves</b>			
Share capital		40,149	40,149
Reserves		684,427	678,717
<b>Total equity attributable to equity shareholders of the Company</b>		<u><b>724,576</b></u>	<u>718,866</u>
Non-controlling interests		<u>(15)</u>	<u>(13)</u>
<b>Total equity</b>		<u><b>724,561</b></u>	<u><b>718,853</b></u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

## 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 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 RMB220,185,000 as at 30 June 2022. Based on future projection of the Group’s profit and cash inflows from operations, unused credit facilities of RMB238 million granted by Wanxiang Finance Co., Ltd.\* (萬向財務有限公司) (“**Wanxiang Finance**”), a fellow subsidiary of the Company, as at 30 June 2022, and the ability of the Group to obtain or renew bank loans and other financing facilities from related parties, including Wanxiang Finance, to finance its continuing operations for the next twelve months ending 30 June 2023, 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 this interim financial information 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 2021 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 IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts—cost of fulfilling a contract

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. 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 and the “*Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Optimising the Province's On-grid Tariff of Natural Gas Power Generation*” issued in September 2021.
- 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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products:		
Electricity:		
– Volume tariff revenue	<b>163,573</b>	74,241
– Capacity tariff revenue	<b>150,297</b>	178,925
	<hr/>	<hr/>
	<b>313,870</b>	253,166
Heat:		
– Revenue from sales of heat	<b>29,168</b>	24,482
Service:		
– Revenue from provision of operation and maintenance services	<b>165</b>	757
	<hr/>	<hr/>
	<b>343,203</b>	278,405
	<hr/> <hr/>	<hr/> <hr/>

#### 4. PROFIT BEFORE TAXATION

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

##### (a) Net finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest income	<u>(232)</u>	<u>(140)</u>
Finance income	<u>(232)</u>	<u>(140)</u>
Interest on interest-bearing borrowings, consideration payable and shareholder's loan	21,572	27,773
Interest on lease liabilities	<u>8</u>	<u>135</u>
Total interest expense recognised in profit or loss	21,580	27,908
Bank charges	19	27
Net foreign exchange loss	<u>10</u>	<u>–</u>
Finance expenses	<u>21,609</u>	<u>27,935</u>
Net finance costs	<u>21,377</u>	<u>27,795</u>

##### (b) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Amortisation		
– Intangible assets	114	305
Depreciation charge		
– Owned property, plant and equipment	42,883	42,091
– Right-of-use assets	<u>1,016</u>	<u>1,834</u>

## 5. INCOME TAX

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
<b>Current tax</b>		
Provision for the People's Republic of China (the "PRC")		
Corporate Income Tax	<b>14,464</b>	20,844
(Over)/under provision in respect of prior years	<b>(988)</b>	1,889
	<b>13,476</b>	22,733
<b>Deferred tax</b>		
Reversal and origination of temporary differences	<b>7,084</b>	5,060
Total income tax expense in the consolidated statement of profit or loss	<b>20,560</b>	27,793

- (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 2022 and 2021.
- (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 2022, deferred tax liabilities of RMB12,990,000 (31 December 2021: RMB23,082,000) 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.

## 6. 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 RMB31,748,000 (six months ended 30 June 2021: RMB58,548,000) and the weighted average of 458,600,000 ordinary shares (six months ended 30 June 2021: 458,600,000 ordinary shares) in issue during the six months ended 30 June 2022.

### (b) Diluted earnings per share

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 June 2022 and 2021 as there were no dilutive potential shares during the periods.

## 7. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade receivables	47,325	90,859
Prepayments <sup>(i)</sup>	15,461	1,220
Other receivables	599	1,676
Total	<u>63,385</u>	<u>93,755</u>

<sup>(i)</sup> The balance of prepayments as at 30 June 2022 mainly represents the prepayment for purchase of natural gas.

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

At 30 June 2022, ageing analysis of trade receivables of the Group based on the invoice date is as follows:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 month	47,107	90,397
Over 1 month but less than 6 months	–	462
Over 6 months but less than 9 months	218	–
Total	<u>47,325</u>	<u>90,859</u>

## 8. INTEREST-BEARING BORROWINGS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Unsecured loans from related parties (i)	601,545	531,421
Unsecured bank loans guaranteed by a related party (ii)	44,308	115,924
Unsecured bank loans	<u>70,084</u>	<u>70,093</u>
	<u><b>715,937</b></u>	<u><b>717,438</b></u>
<b>Reconciliation to the consolidated statement of financial position:</b>		
Current liabilities	214,937	286,438
Non-current liabilities	<u>501,000</u>	<u>431,000</u>
	<u><b>715,937</b></u>	<u><b>717,438</b></u>

- (i) Unsecured loans from related parties as at 30 June 2022 represented loans and accrued interest expenses from Wanxiang Finance of RMB531,545,000 (31 December 2021: RMB461,421,000) and loans from Shanghai Pu-Xing Energy Limited\* (普星聚能股份公司) (“**Shanghai Puxing**”) of RMB70,000,000 (31 December 2021: RMB70,000,000), which borne interest rates at 3.70% – 4.75% per annum (31 December 2021: 4.4805% – 4.8925% per annum).
- (ii) The bank loans and accrued interest expenses of RMB nil (31 December 2021: RMB13,520,000) were guaranteed by China Wanxiang Holding Co., Ltd.\* (中國萬向控股有限公司) (“**China Wanxiang**”), which is a company controlled by Mr. Lu Weiding (“**Mr. Lu**”), who is the ultimate controlling party of the Company, and RMB44,308,000 (31 December 2021: RMB102,404,000) were guaranteed by Wanxiang Group Corporation\* (萬向集團公司) (“**Wanxiang Group**”), the ultimate controlling company. The bank loans borne an interest rate of 4.70%–4.90% per annum (31 December 2021: 4.90% per annum) and are repayable semi-annually till 28 November 2022.

The bank loans are subject to the fulfilment of financial covenants relating to certain financial ratios of Anji Power Plant and Quzhou Power Plant respectively, which are commonly found in lending arrangements with financial institutions. As at 30 June 2022 and 31 December 2021, none of these covenants were breached.

## 9. TRADE AND OTHER PAYABLE

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade payables	–	5,453
Dividend payable	21,963	–
Salary payable	6,518	14,384
Construction payable	2,857	6,366
Other taxes payable	4,728	21,574
Accrued expenses and other payables	3,925	2,095
	<u>39,991</u>	<u>49,872</u>

As at 30 June 2022, the ageing analysis of trade payables of the Group based on the invoice date, is as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 3 months	<u>–</u>	<u>5,453</u>

## 10. 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 2022 (six months ended 30 June 2021: HK\$ nil).

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

	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Final dividend in respect of the previous financial year, approved during the six months ended 30 June 2022, of HK\$0.056 per share (six months ended 30 June 2021: HK\$0.10 per share)	<u>21,895</u>	<u>37,873</u>

Pursuant to a resolution passed at the annual general meeting held on 17 June 2022, dividends of HKD25,681,600 (equivalent to RMB21,895,000) were declared and were paid on 7 July 2022.

Pursuant to a resolution passed at the annual general meeting held on 4 June 2021, dividends of HKD45,860,000 (equivalent to RMB37,873,000) were declared and were paid on 23 June 2021.

## 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 2022, 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), and a maximum heating capacity of approximately 360 tons/hour.

### BUSINESS REVIEW

In the first half of 2022, benefiting from the effective control of the Chinese government on the COVID-19 pandemic, the social and economic activities in Zhejiang Province remained vigorous, and the overall power consumption demand in the society grew steadily.

In the first half of 2022, due to the increase in demand for peak shaving power generation in Zhejiang Province, the natural gas production volume of the Group during the period under review increased by 53.31% to 236,844 megawatt hour (MWh), as compared with 154,489MWh in the corresponding period of last year. 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 consumption of natural gas for electricity generation of the Group for the first half of 2022 rose by 45.99% to 52,123,375 m<sup>3</sup> from 35,703,423 m<sup>3</sup> in the corresponding period of last year.

During the period under review, the heating business of Puxing (Anji) Gas Turbine Thermal Power Co., Ltd. (“**Anji Power Plant**”) and Quzhou Puxing Gas Turbine Thermal Power Co., Ltd. (“**Quzhou Power Plant**”) was stable. Affected by the decrease of downstream heat consumption unit demand, the Group’s heat sales volume for the six months ended 30 June 2022 decreased by 13.81% to 72,362 tons, as compared with 83,954 tons in the corresponding period of last year; due to the increase in the unit price of the Group’s heat sales, the revenue from sales of heat increased by 19.14% to RMB29,168,000, as compared with RMB24,482,000 in the corresponding period of last year; due to the increase of natural gas costs, the contribution margin ratio decreased by 10.71 percentage points to 15.10% as compared with 25.81% in the corresponding period of last year. In response to the decrease in heat sales volume during the period under review, the natural gas usage for heating decreased by 14.57% to 6,628,888 m<sup>3</sup>, as compared with 7,759,476 m<sup>3</sup> in the corresponding period of last year.

During the period under review, according 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 Price [2021] No. 357) issued by Zhejiang Provincial Development and Reform Commission (the “**ZDRC**”) on 28 September 2021, in order to accelerate the market-oriented reform of electricity prices and liberalize the electricity prices in competitive links in an orderly manner, the capacity tariff of the Company’s power plants has been adjusted from 1 January 2022. Meanwhile, a gas-electricity price linkage mechanism has also been launched, and the monthly electricity sales price of each power plant of the Company (except Zhejiang Puxing Jingxing Natural Gas Power Co., Ltd. (“**Jingxing Power Plant**”), which is a local dispatch power plant) shall be determined according to the comprehensive price of natural gas (weighted by different gas sources and different gas prices).

After adjustment, the capacity tariff of Zhejiang Puxing Bluesky Natural Gas Power Co., Ltd. (“**Bluesky Power Plant**”), Zhejiang Puxing Deneng Natural Gas Power Co., Ltd. (“**Deneng Power Plant**”) and Jingxing Power Plant under the Company was adjusted to RMB394.8/kW/year, representing a decrease of 16% as compared to RMB470/kW/year in the corresponding period of last year; the capacity tariff of Anji Power Plant and Quzhou Power Plant was adjusted to RMB571.2/kW/year, representing a decrease of 16% as compared to RMB680/kW/year in the corresponding period of last year.

During the period under review, the prices of natural gas (inclusive of VAT) of Bluesky Power Plant, Deneng Power Plant, Anji Power Plant and Quzhou Power Plant under the Company fluctuated in the range of RMB2.84/m<sup>3</sup> to RMB4.35/m<sup>3</sup>, and the price of natural gas (inclusive of VAT) of Jingxing Power Plant was RMB4.11/m<sup>3</sup>. According to the gas-electricity price linkage mechanism, the volume tariff (inclusive of VAT) of Bluesky Power Plant, Deneng Power Plant, Anji Power Plant and Quzhou Power Plant under the Company fluctuated in the range of RMB0.6544/kWh to RMB1.0019/kWh, and the volume tariff (inclusive of VAT) of Jingxing Power Plant was RMB0.9405/kWh.

## **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 2022 production plan for natural gas power generating units based on the maximum demand within the power grid during the period under review. In order to accelerate the market-oriented reform of electricity prices, give better play to the role of natural gas power generating units, and promote the construction of a new power system with new energy as the mainstay, Zhejiang Province increased the power generation arrangement of natural gas power generating units in 2022. During the period under review, the Group’s natural gas production volume was 236,844MWh (six months ended 30 June 2021: 154,489MWh), representing an increase of 53.31% as compared to the corresponding period of last year.

### *Photovoltaic Power Generation*

For the six months ended 30 June 2022, electricity generated by photovoltaic power was approximately 365MWh (six months ended 30 June 2021: 384MWh), of which approximately 52MWh (six months ended 30 June 2021: 48MWh) was sold to the power grid.

Through the photovoltaic power generation during the period under review, the Group saved power consumption cost of RMB187,000 (six months ended 30 June 2021: RMB168,000) and realised a revenue of RMB69,000 (six months ended 30 June 2021: RMB65,000).



## Heat Sales Volume

During the period under review, the Group sold 72,362 tons (six months ended 30 June 2021: 83,954 tons) of steam, representing a decrease of 13.81% as compared to the corresponding period of last year. The average selling price (inclusive of VAT) was approximately RMB439.36/ton (six months ended 30 June 2021: RMB317.86/ton), representing an increase of 38.22%, respectively, as compared to the corresponding period of last year.

For the six months ended 30 June 2022, 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 RMB29,168,000 (six months ended 30 June 2021: RMB24,482,000) and RMB4,403,000 (six months ended 30 June 2021: RMB6,318,000), respectively. The contribution margin ratio for sales of heat was 15.10% (six months ended 30 June 2021: 25.81%), representing a decrease of 10.71 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 2022, the Group's total consumption of natural gas for the six months ended 30 June 2022 was 58,752,263 m<sup>3</sup> (including 6,628,888 m<sup>3</sup> for heating), representing an increase of 35.18% as compared to 43,462,899 m<sup>3</sup> (including 7,759,476 m<sup>3</sup> for heating) for the corresponding period of last year.

The Group's average unit fuel cost for power generation was approximately RMB748.49/MWh, representing an increase of 57.98% as compared to approximately RMB473.79/MWh in the corresponding period of last year. The average unit fuel cost for heating was approximately RMB309.66/ton, representing an increase of 60.15% as compared to approximately RMB193.36/ton in the corresponding period of last year. Both increase in average unit fuel cost for power generation and heating was mainly attributable to the increase 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 2022, fuel costs amounted to RMB199,684,000, representing an increase of 123.29% as compared to RMB89,429,000 in the corresponding period of last year. Fuel costs accounted for 102.68% of the related revenue (i.e., volume tariff revenue (excluding revenue from photovoltaic power generation) and revenue from sales of heat), representing an increase of 12.03 percentage points as compared to 90.65% in the corresponding period of last year. Such increase was mainly attributable to the increase in the average price of natural gas.

## **FINANCIAL REVIEW**

Affected by (i) the cut in capacity tariff with effect from 1 January 2022; (ii) the significant increase in production volume by natural gas power generating units of the Group for the period under review as compared to the corresponding period of last year under the exacerbation of cost inversion of natural gas power generation (i.e. the cost of natural gas power generation per unit is higher than the volume tariff of natural gas power generating units per unit) caused by the increase in fuel cost for power generation in the first half of year 2022; and (iii) the absence of the expected full implementation of the electricity spot market trading by ZDRC in the first half of year 2022, the profit attributable to equity shareholders of the Company for the six months ended 30 June 2022 was RMB31,748,000, representing a decrease of 45.77% as compared to RMB58,548,000 in the corresponding period of last year. For the six months ended 30 June 2022, the basic and diluted earnings per share of the Company amounted to RMB0.069, representing a decrease of 46.09% as compared to RMB0.128 per share in 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.

Due to the increase in demand for peak shaving power generation in Zhejiang Province, revenue of the Group for the six months ended 30 June 2022 amounted to RMB343,203,000 (six months ended 30 June 2021: RMB278,405,000), representing an increase of 23.27% 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 2022, the operating expenses of the Group amounted to RMB272,546,000 (six months ended 30 June 2021: RMB167,556,000), representing an increase of 62.66% as compared to the corresponding period of last year. The increase in operating expenses was mainly due to significant increase in fuel consumption cost as a result of the increase in power generation.

### **Profit from Operations**

Due to the increase in power generation and the substantial increase in fuel costs during the period under review, the Group's profit from operations for the six months ended 30 June 2022 amounted to RMB70,657,000 (six months ended 30 June 2021: RMB110,849,000), representing a decrease of 36.26% as compared to the corresponding period of last year.

## **Finance Costs**

For the six months ended 30 June 2022, net finance costs of the Group amounted to RMB21,377,000 (six months ended 30 June 2021: RMB27,795,000), representing a decrease of 23.09% as compared to the corresponding period of last year. The decrease in net finance costs was mainly due to the repayment of part of the interest-bearing loans by the Group as well as the downward adjustment of interest rate during the period under review.

## **Income Tax**

For the six months ended 30 June 2022, income tax expenses of the Group amounted to RMB20,560,000 (six months ended 30 June 2021: RMB27,793,000), representing a decrease of 26.02% as compared to the corresponding period of last year. The decrease in income tax expenses was mainly due to the decrease in profit from operations.

## **Earnings per Share**

For the six months ended 30 June 2022, profit attributable to equity shareholders of the Company amounted to RMB31,748,000 (six months ended 30 June 2021: RMB58,548,000). The basic and diluted earnings per share amounted to RMB0.069 (six months ended 30 June 2021: RMB0.128), representing a decrease of 46.09%.

## **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 2022, cash and cash equivalents of the Group amounted to RMB142,123,000 (31 December 2021: RMB76,087,000), of which RMB27,588,000 (31 December 2021: RMB6,820,000) was denominated in HKD.

As at 30 June 2022, the Group had current assets of RMB264,325,000 (31 December 2021: RMB228,693,000), current liabilities of RMB484,510,000 (31 December 2021: RMB565,303,000), net current liabilities of RMB220,185,000 (31 December 2021: RMB336,610,000), and current ratio of 0.55 (31 December 2021: 0.40). The increase in current ratio was mainly due to the increase in some cash reserves as a result of the increase in production volume of the Group and the decrease in current liabilities 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 2022, the Group had total debts of RMB1,028,970,000 (31 December 2021: RMB1,018,947,000), including shareholder's loan of HK\$116,552,000 (equivalent to approximately RMB99,674,000) (31 December 2021: HK\$113,917,000 (equivalent to approximately RMB93,138,000)) and lease liabilities of HK\$456,000 (equivalent to approximately RMB390,000) (31 December 2021: HK\$399,000 (equivalent to approximately RMB326,000)).

Details of the Group's debts as at 30 June 2022 and 31 December 2021 are listed below:

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Unsecured loans from related parties	<b>601,545</b>	531,421
Unsecured bank loans guaranteed by a related party	<b>44,308</b>	115,924
Unsecured bank loans	<b>70,084</b>	70,093
Shareholder's loan	<b>99,674</b>	93,138
Consideration payable	<b>212,969</b>	208,045
Lease liabilities	<b>390</b>	326
	<b><u>1,028,970</u></b>	<u>1,018,947</u>

The above debts are repayable as follows:

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Within 1 year	<b>423,650</b>	486,049
Over 1 year but less than 2 years	<b>605,320</b>	349,898
Over 2 years but less than 5 years	<b>–</b>	183,000
	<b><u>1,028,970</u></b>	<u>1,018,947</u>

Among the above debts, RMB313,033,000 (31 December 2021: RMB301,509,000) were fixed rate debts, of which RMB100,064,000 (31 December 2021: RMB93,464,000) were denominated in HKD. The remaining debts were denominated in RMB, and bearing interest rates ranging from 3.7% to 5% per annum (31 December 2021: 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 all interest-bearing borrowings, consideration payable, shareholder's loan 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 2022, the Group's gearing ratio was 55.04% (31 December 2021: 56.74%).

### **Capital Expenditures**

For the six months ended 30 June 2022, the Group invested RMB4,465,000 (six months ended 30 June 2021: RMB12,045,000), which was mainly used in the payment for the construction of heat grid and technological renovation of equipment.

### **Capital Commitments**

As at 30 June 2022, capital commitments of the Group was RMB53,304,000 (31 December 2021: RMB56,449,000) 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 2022 and 31 December 2021, the Group had no assets pledged.

### **Contingent Liabilities**

As at 30 June 2022 and 31 December 2021, 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 2022, the Group had a total of 285 employees, excluding 5 trainees (31 December 2021: 301 employees, excluding 10 trainees).

For the six months ended 30 June 2022, total employees' remuneration (including Directors' remuneration and benefits) was RMB10,397,000 (six months ended 30 June 2021: RMB14,728,000). 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 is a challenging year for Puxing Energy. The Group is facing the promotion of the reform of the electricity spot market in Zhejiang Province and the cut in capacity tariff, and the Group's business model and profit are tested. The management team of the Company actively studies and explores the business model under the new form, strives to find the new market convergence point, and continues to deepen its refined management, strengthens the cost management, actively faces the challenges and reduces the impact.

With the steady development of the PRC's economy, the optimization of energy structure and the promotion of power market reform, the fields of green power, energy storage and intelligent energy have ushered in a period of major opportunities. As an energy enterprise with energy as the core of development and the goal of transforming into a comprehensive energy supplier and realising diversified development of energy business, the Group will strengthen the research of national new energy policies, strive to find new opportunities and diversify the energy business structure, and make unremitting efforts to enhance the Group's long-term growth potential and shareholder value.

Apart from those matters as set out above, the management discussion and analysis have not materially changed from the information previously disclosed in the 2021 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 2022 (for the six months ended 30 June 2021: HK\$nil).

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

During the six months ended 30 June 2022, 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 2022.

## **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 2022. KPMG, the Group's external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2022 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 2022 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, 26 August 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.*

\* *For identification purpose only*