THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Puxing Energy Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

PUXING ENERGY LIMITED
普星能量有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 90)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 30% EQUITY INTEREST IN THE TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder

Donvex Capital Limited
富域資本有限公司

Capitalised terms used in this cover shall have the same meaning as those defined in this circular.

A letter from the Independent Board Committee to the Independent Shareholders in relation to the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder is set out on pages 22 and 23 of this circular.

A letter from the Board is set out on pages 6 to 21 of this circular. A notice convening the EGM of the Company to be held at Kowloon Room I, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Kowloon, Hong Kong, on Tuesday, 10 January 2023 at 11:00 a.m. is set out on pages 51 to 52 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

In order to prevent and control the spread of the coronavirus disease (COVID-19) and keep appropriate social distancing for the health and safety of the Shareholders and other attendees of the EGM, the following measures will be taken at the EGM:

- temperature screening/checks for attendees at the entrance of the hotel
- attendees are required to scan the QR Codes of "Vaccine Pass" at the entrance of the EGM venue, and wear surgical masks throughout the EGM
- limiting the number of attendees at the EGM venue to avoid overcrowding
- maintaining an appropriate social distancing between seats
- no distribution of corporate gift or refreshment

Shareholders are reminded (i) to consider carefully the risk of attending the EGM, which will be held in an enclosed environment; (ii) to follow any guidelines or requirements of the Hong Kong Government relating to COVID-19 pandemic from time to time in deciding whether or not to attend the EGM; and (iii) not to attend the EGM if they have contracted or are suspected to have contracted COVID-19. Shareholders attending the EGM in person are expected to comply with all precautionary measures as set out in this circular. Any person who declines to adhere to any of the measures and cooperate with the hotel or Company staff, or is subjected to any prescribed quarantine of the Hong Kong Government may be denied entry into the EGM venue or be required to leave the EGM venue at the absolute discretion of the Company as permitted by law. Shareholders are further reminded that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

Subject to the development of the COVID-19 pandemic, the Company may implement further procedures and precautionary measures at short notice and may issue further announcement as appropriate. Shareholders should check the Company's website (www.puxing-energy.com) and the Stock Exchange's website (www.hkexnews.hk) for updates on the latest arrangement of the EGM.

23 December 2022

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In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Anergy International"	has the meaning ascribed to it in Appendix III to this circular;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audit Reference Date"	31 August 2022, being the reference date for the preparation of the Audit Report;
"Audit Report"	consolidated audit report of the Target Group for the eight months ended the Audit Reference Date issued by a PRC certified public accountants in accordance with generally accepted accounting principles in the PRC;
"BC Fund SPC"	has the meaning ascribed to it in Appendix III to this circular;
"Board"	the board of Directors;
"Business Day(s)"	a day other than Saturday, Sunday and a public holiday in the PRC or Hong Kong;
"Company"	Puxing Energy Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 90);
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement;
"Completion Date"	the date of the Completion;
"Consideration"	the consideration in the amount of RMB61,300,000 (equivalent to approximately HK$68,656,000) payable by the Purchaser to the Vendor for the Disposal under the Equity Transfer Agreement;
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules;
"Directors"	the directors of the Company;

"Disposal"	the disposal of 30% of the equity interest in the Target Company by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement;
"Distributed Profit"	the distributed profit during the period from the Audit Reference Date to the date of execution of the Equity Transfer Agreement in the amount of RMB45,000,000;
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder;
"Equity Transfer Agreement"	the equity transfer agreement dated 22 November 2022 entered into between the Vendor, the Purchaser and the Target Company in relation to the Disposal;
"Force Majeure Event"	any circumstances which are not within the reasonable control or prediction of any party to the Equity Transfer Agreement, or even if predicted, such circumstances are inevitable or cannot be overcome, and cause the performance of any obligations by either party to the Equity Transfer Agreement objectively impossible, which include, without limitation, flood, fire, storm, earthquake, strikes, riots, wars and any change in the relevant laws or regulations of the relevant industry;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	a committee of the Board comprising Mr. Tse Chi Man, Mr. Yao Xianguo and Mr. Yu Wayne W., being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder;

"Independent Financial Adviser"	Donvex Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and is the Independent Financial Adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder;
"Independent Shareholders"	the Shareholders other than Puxing International and its associates;
"Latest Practicable Date"	19 December 2022, being the latest practicable date for the purpose of ascertaining information contained in this circular before its despatch;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Lu"	Mr. Lu Weiding（魯偉鼎）, the ultimate controller of the Company;
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Purchaser"	Shunfa Nengcheng Co., Ltd.*（順發能城有限公司）, a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of Shunfa Hengye;
"Puxing Neng"	Puxing Neng (HK) Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company;
"Puxing International"	Puxing International Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, being directly interested in approximately 65.42% of the issued share capital of the Company as at the Latest Practicable Date;

"Quzhou Puxing"	Quzhou Puxing Gas Turbine Thermal Power Co., Ltd.*(衢州普星燃機熱電有限公司), a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company;
"Registration Procedures"	the relevant registration procedures with the relevant PRC government authority in respect of the change in the ownership of the equity interest of the Target Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares from time to time;
"Shunfa Hengye"	Shunfa Hengye Corporation*(順發恒業股份公司), a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000631);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Zhejiang Puxing Deneng Natural Gas Power Co., Ltd.*(浙江普星德能然氣發電有限公司), a sino-foreign equity joint venture enterprise established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date;
"Target Group"	Target Company and Quzhou Puxing;
"USD"	United States dollar, the lawful currency of the United States of America;
"Vendor"	Zhejiang Puxing Bluesky Natural Gas Power Co., Ltd.*(浙江普星藍天然氣發電有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;

"Wanxiang Finance"	has the meaning ascribed to it in Appendix III to this circular;
"Wanxiang Group"	Wanxiang Group Corporation*（萬向集團公司）, a company established under the laws of the PRC with limited liability and is ultimately controlled by Mr. Lu; and
"%"	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00 = HK$1.12 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

References to time and dates in this circular are to Hong Kong time and dates.

* *For identification purposes only*

PUXING ENERGY LIMITED
普 星 能 量 有 限 公 司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 90)

Executive Directors:
Mr. XU Anliang *(Chairman)*
Mr. WEI Junyong

Independent Non-Executive Directors:
Mr. TSE Chi Man
Mr. YAO Xianguo
Mr. YU Wayne W.

Registered address:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Room 706, 7/F., Albion Plaza
2-6 Granville Road
Tsim Sha Tsui, Kowloon
Hong Kong

23 December 2022

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 30% EQUITY INTEREST IN THE TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 22 November 2022 (the "**Announcement**") in relation to the Equity Transfer Agreement.

The purpose of this circular is to provide you with, *inter alia*, (i) further information on the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder; (iv) financial information of the Group; (v) valuation report on the major generator equipment owned by the Target Group; (vi) the notice of EGM; and (vii) other information as required under the Listing Rules.

II. MAJOR AND CONNECTED TRANSACTION

(1) Background

As announced in the Announcement, the Vendor, an indirect wholly-owned subsidiary of the Company, the Purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 30% of the equity interest in the Target Company at the Consideration of RMB61,300,000 (equivalent to approximately HK$68,656,000), subject to the terms and conditions of the Equity Transfer Agreement.

(2) Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are set out below:

Date	:	22 November 2022
Parties	:	(1) the Vendor; (2) the Purchaser; and (3) the Target Company.
Subject matter	:	Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 30% of the equity interest in the Target Company, subject to terms and conditions of the Equity Transfer Agreement. For more information on the Target Group, please refer to the section headed "(3) Information on the Target Group" in this letter.

Consideration	:	The Consideration for the Disposal is RMB61,300,000 (equivalent to approximately HK$68,656,000) which was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to a number of factors, including (i) the audited consolidated net asset value of the Target Group as at the Audit Reference Date based on the Audit Report (in the amount of approximately RMB249,335,000) less the Distributed Profit; (ii) the audited financial performance of the Target Group for the eight months ended the Audit Reference Date; and (iii) the benefits of the Disposal as set out in the section headed "(4) Reasons for and benefits of the Disposal" in this letter below.
Payment of the Consideration	:	The Consideration shall be paid by the Purchaser in cash in the following manner: (a) the first instalment in the amount of RMB18,390,000 (being 30% of the Consideration) shall be paid to a bank account designated by the Vendor within three (3) days from the Completion Date; and (b) the balance of the Consideration in the amount of RMB42,910,000 (being 70% of the Consideration) shall be paid to a bank account designated by the Vendor within three (3) days from the date of the completion of the Registration Procedures. The parties to the Equity Transfer Agreement shall arrange for the Registration Procedures within fifteen (15) days after the payment of the first instalment of the Consideration by the Purchaser to the Vendor.
Conditions precedent	:	Completion is conditional upon the satisfaction of the following conditions precedent on or before the Completion Date in accordance with the terms of the Equity Transfer Agreement: (a) the Equity Transfer Agreement having been duly signed by the Vendor, the Purchaser and the Target Company;

(b) the Purchaser having performed the necessary procedures in accordance with relevant laws, regulations, rules, articles of association and internal compliance procedures, including but not limited to (i) approval of the Disposal by the board of directors of Shunfa Hengye; (ii) consent from the Shenzhen Stock Exchange and other relevant government departments (if applicable); and (iii) obtaining internal approval and consent from any third party by the Purchaser and Shunfa Hengye (if applicable);

(c) the Vendor and the Target Company having performed the necessary procedures in accordance with relevant laws, regulations, rules, articles of association and internal compliance procedures, including but not limited to (i) approval of the Disposal by the shareholders of the Target Company; (ii) adoption of new articles of association of the Target Company; (iii) approval of the Disposal by the Independent Shareholders; (iv) compliance with the relevant requirements under the Listing Rules or the Stock Exchange; (v) consent from other relevant government departments (if applicable); and (vi) obtaining internal approval and consent from any third party by the Vendor and the Target Company (if applicable); and

(d) the representations and warranties made by the Purchaser, the Vendor and the Target Company under the Equity Transfer Agreement remaining true, accurate and not misleading.

None of the above conditions precedent can be waived. As at the Latest Practicable Date, the conditions precedent set out in items (a) and (b)(i) above have been fulfilled.

Completion : Completion shall take place within ten (10) Business Days after all the conditions precedent are satisfied or such other day as the parties to the Equity Transfer Agreement may agree in writing but in any event, Completion shall take place on or before 31 January 2023.

As at the Latest Practicable Date, the Company owns the entire equity interest in the Target Company through the Vendor (an indirect wholly-owned subsidiary of the Company) and Puxing Neng (a direct wholly-owned subsidiary of the Company) as to 30% and 70%, respectively. Upon Completion and the completion of the relevant Registration Procedures, the Target Company will be owned as to 30% by the Purchaser and 70% by Puxing Neng and, accordingly, remains an indirect subsidiary of the Company.

Termination : The Equity Transfer Agreement may be terminated in the following manners:

(a) unless the Vendor and the Purchaser agree otherwise, if Completion does not take place on or before 31 January 2023, either the Vendor or the Purchaser may terminate the Equity Transfer Agreement by written notice to the other party;

(b) if the Vendor, the Purchaser and the Target Company agree in writing;

(c) if a party to the Equity Transfer Agreement fails to perform any of its obligations under the Equity Transfer Agreement in a timely and appropriate manner or breaches any of its representations, warranties and undertakings under the Equity Transfer Agreement, the non-defaulting party to the Equity Transfer Agreement may forthwith terminate the Equity Transfer Agreement by written notice to the defaulting party;

(d) if the Registration Procedures cannot be completed, the Vendor, the Purchaser and the Target Company may mutually agree to terminate the Equity Transfer Agreement; or

(e) if a Force Majeure Event has lasted for at least thirty (30) days and renders the performance of the obligations by any party under the Equity Transfer Agreement impossible, either the Vendor, the Purchaser or the Target Company may terminate the Equity Transfer Agreement by written notice to the other parties.

In the event that the Equity Transfer Agreement is terminated after Completion upon occurrence of the events set out in items (d) (save and except for the termination of the Equity Transfer Agreement due to fraud, wilful misconduct, gross negligence or bad faith of the Purchaser) or (e) above, in addition to all other available rights or remedies (including the right to claim compensation) and without prejudice to such rights or remedies, the Vendor shall return the Consideration paid to the Purchaser without interest within ten (10) days from the date of the termination of the Equity Transfer Agreement. In the event that the Equity Transfer Agreement is terminated in accordance with the event set out in item (c) above due to the default on the part of the Purchaser, the Vendor shall have the right not to refund any part of the Consideration paid.

(3) Information on the Target Group

The Target Company is a sino-foreign equity joint venture enterprise established under the laws of the PRC with limited liability on 18 August 2004 with a registered capital of USD18,408,710 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date. It is principally engaged in natural gas power generation and on-grid sales; production and sales of supporting electromechanical equipment; waste heat production and hot water sales; development, operation, maintenance and technical services of power grid auxiliary service projects. As of the Latest Practicable Date, the Company owns the entire equity interest in the Target Company through the Vendor (an indirect wholly-owned subsidiary of the Company) and Puxing Neng (a direct wholly-owned subsidiary of the Company) as to 30% and 70%, respectively.

As at the Latest Practicable Date, the Target Company directly owns the entire equity interest in Quzhou Puxing, a company established under the laws of the PRC with a registered capital of RMB300,000,000. It is principally engaged in thermal power technology research and development; gas turbine thermal power project investment, operation, maintenance, technical services; heating services; power generation business and photovoltaic power generation project investment and development.

The Target Group currently owns and operates two natural gas-fired power plants located in Huzhou city and Quzhou city of Zhejiang province, respectively, with an aggregate installed capacity of approximately 342.15MW (including approximately 153kW photovoltaic power generating units) and a maximum heating capacity of approximately 200 tons/hour. The power plants operated by the Target Group generate power in accordance with the instructions of the relevant government authorities in Zhejiang province and sell the power generated to Zhejiang Electric Power Company by sending it to the power grid. Quzhou Puxing also supplies steam to the users locating in proximity of its heating pipelines.

Financial information of the Target Group

Based on the unaudited consolidated financial statements of the Target Group as prepared in accordance with the International Financial Reporting Standards, the unaudited financial information of the Target Group for the two years ended 31 December 2021 was approximately as follows:

	For the year ended 31 December	
	2021	**2020**
	RMB'000	*RMB'000*
Revenue	281,411	300,446
Profit before taxation	73,716	80,017
Profit after taxation	54,817	60,097

The unaudited revenue of the Target Group above comprises volume tariff revenue, capacity tariff revenue and revenue from sales of heat.

The unaudited consolidated net asset value of Target Group as at 31 August 2022 prepared in accordance with the International Financial Reporting Standards was approximately RMB251,324,000, which was calculated based on the net asset value of the Target Group (from the individual company level) as at 31 August 2022 under the generally accepted accounting principles in the PRC (i.e., approximately RMB249,335,000), after taking into account the consolidation adjustments from the Group level, including but not limited to the depreciation and impairment of the property, plant and equipment and the deferred tax assets. The appraised value of the shareholders' entire equity of the Target Company as at 31 August 2022 prepared by an independent professional valuer, namely 聯合中和土地房地產資產評估有限公司, by adopting the asset-based approach was approximately RMB293,474,500 engaged by the Vendor at the request of the Purchaser for its reference. The Board did not take into account of the appraised value as a basis for determining the Consideration for the reason that the difference between the appraised value and the audited net assets value of the Target Company based on the Audit Report was mainly due to the appreciation of land use right of the Target Company. Since the Vendor is disposing of a minority equity interest in the Target Company under the Disposal instead of such land use right, and the appraised value of such land use right was arrived at by using the market approach comparing with undeveloped lands for sale in the primary land market which did not reflect factors including (i) the restriction on the transfer of the land use right of the Target Company (i.e. in principle such land use right is required to be transferred entirely together with the buildings and attachments on the land as a whole according to the relevant PRC laws and regulations) and (ii) the comparatively low liquidity of such land use right in the market, considering that a power plant is constructed on such land, the Board is of the view that such appraised value is not of much reference value to the Group in determining the Consideration.

The unaudited consolidated total asset of Target Group as at 31 August 2022 prepared in accordance with the International Financial Reporting Standards was approximately RMB967,811,000. Set out below is a breakdown of the major assets and carrying value of the Target Group as at 31 August 2022:

	RMB'000
Property, plant and equipment	
– Major generator equipment	586,292
– Others	187,191
Other non-current assets	4,358
Inventories	47,361
Trade and other receivables	88,406
Cash and cash equivalents	54,203
Total assets	967,811

(4) Reasons for and benefits of the Disposal

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

The Group aims to develop diversified energy business and strives to achieve strategic transformation. The Group believes that the Disposal would provide an opportunity to the Group to release the value of the natural gas power plants held as well as immediate available funds for the future business development of the Group as opportunities arise, which aligns with the Group's business strategic objectives of business diversification and transformation. The Group believes that, by making funds immediately available for the future business development of the Group, it will help enhancing the negotiation power of the Company and shortening the transaction time and cost as and when opportunities arise.

With reference to the section headed "4. FINANCIAL AND TRADING PROSPECT OF THE GROUP" in Appendix I to this circular, as the capacity tariff was cut since 1 January 2022 and the Group's business model and profit were tested, the profitability of the Company was adversely affected. The pro rata net profits of the Target Company for the year ending 31 December 2022 projected based on the Audit Report is approximately RMB25.7 million, representing a drop of 53.1% in compared with the unaudited profit after taxation of the Target Group for the year ended 31 December 2021 of approximately RMB54.8 million (as disclosed in the section headed "(3) Information on the Target Group – Financial information of the Target Group" above). Based on the pro rata net profits of the Target Company for the year ending 31 December 2022 above, the price-to-earnings (P/E) ratio of the Disposal (i.e. the Consideration divided by the pro rata net profits of the Target Company for the year ending 31 December 2022 attributable to the Disposal) was approximately 7.95, which is approximately 99% higher than the P/E ratio of the Group of approximately 4.00 calculated based on (i) the market capitalisation of Group as at 30 June 2022 (in the amount of approximately HK$284.3 million); and (ii) the pro rata profits attributable to equity shareholder of the Company for the year ending 31 December 2022 of approximately RMB63.5 million (equivalent to approximately HK$71.1 million) projected based on the interim results of the Group for the six months ended 30 June 2022. Therefore, the Directors (including the independent non-executive Directors who has expressed their views after considering the advice from the Independent Financial Adviser) consider that disposing of the Target Group at net asset value is fair and reasonable.

The Target Company is a sino-foreign equity joint venture enterprise established under the laws of the PRC, which is owned as to 30% and 70%, respectively, by the Vendor (a company incorporated in PRC) and Puxing Neng (a company incorporated in Hong Kong). Since the Group intends to maintain the control of the Target Company and the transfer of equity interest between PRC parties would simplify the administrative procedures of the Disposal, the Vendor and the Purchaser arrived at the transfer of 30% equity interest in Target Company under the Disposal. As at the Latest Practicable Date, there was no understanding, arrangement, undertaking or agreement concerning the Company's further disposal of the remaining 70% equity interest in the Target Company.

As disclosed in the section headed "(2) Equity Transfer Agreement – Consideration" in this letter above, the Board has taken into account a number of factors in determining the Consideration. The Directors (including the independent non-executive Directors who has expressed their views after considering the advice from the Independent Financial Adviser in the section headed "Letter from the Independent Financial Adviser" contained in this circular) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder were agreed at after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors who has expressed their views after considering the advice from the Independent Financial Adviser in the section headed "Letter from the Independent Financial Adviser" contained in this circular) consider that the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

(5) Financial effects of the Disposal

The Disposal represents a partial disposal of equity interests in the Target Company which will remain an indirect subsidiary of the Company upon Completion. As such, the Disposal will be accounted for as an equity transaction with owners, and therefore, no gain or loss will be recognised for the Disposal.

Assuming the Completion and the Distributed Profits had occurred on 31 August 2022 and for an illustrative purpose only, it is estimated that a deficit of approximately RMB2,747,000 will be recognised in the reserves of the Group. The estimated deficit of approximately RMB2,747,000 is calculated based on the Consideration (RMB61,300,000), minus (i) the unaudited net asset value of the Target Group as at 31 August 2022 attributable to the interest to be disposed (approximately RMB75,397,000) less the Distributed Profits attributable to the interest to be disposed (RMB13,500,000) and (ii) the estimated transaction expenses directly attributable to the Disposal of approximately RMB2,150,000. It is estimated that the assets of the Group will be increased by approximately RMB59,150,000, and the Disposal will not have any material effect on the Group's earnings (save the allocation of profit or loss between the equity Shareholders and the non-controlling interests resulting from the interest to be disposed) and liabilities.

The abovementioned estimated figures are subject to the final net asset value of the Target Group at Completion and final transaction expenses directly attributable to the Disposal.

The Group intends to utilise the proceeds from the Disposal for the development of energy-related business and/or other business by way of acquisition of or investment in such business(es) or companies engaged in the same as the opportunities arise. As at the Latest Practicable Date, the Company had not identified any specific target of such acquisition or investment.

Upon Completion and the completion of the Registration Procedures, the Target Company will be owned as to 30% by the Purchaser and 70% by Puxing Neng and, accordingly, remains an indirect subsidiary of the Company.

(6) Information on the parties

The Group

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

The Purchaser

The Purchaser is a company established under the laws of the PRC with limited liability and is principally engaged in (i) general items: cooling service; thermal production and supply; power generation technology services; wind power technology services; research and development of wind farm related systems; research and development of emerging energy technologies; research and development of energy-efficient technology in the power industry; research on the utilization technology of waste heat, residual pressure and residual gas; technical services, technical development, technical consultation, technical exchange, technology transfer, technology promotion; sales of new energy prime mover equipment; energy contract management; estate management; real estate leasing; sales of building decoration materials; landscape engineering construction; marketing planning; commercial complex management services; advertising production; advertising design and agency; advertisement release; brand management; socio economic advisory services; industrial investment; decoration and renovation (except for projects that must be approved according to law, carry out business activities independently by virtue of the business license according to law); and (ii) permitted items: power generation business, power transmission business, power supply (distribution) business; hydropower generation; real estate development and operation; and construction project construction (for projects that must be approved according to law, business activities can be carried out only after being approved by relevant departments, and the specific business projects shall be subject to results of the approvals).

The Purchaser is a direct wholly-owned subsidiary of Shunfa Hengye, a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000631). Shunfa Hengye is principally engaged in real estate operation and development, property management, renovation and decoration, housing and civil construction engineering, landscaping engineering (the above projects are operated with valid qualification certificates), real estate investment, and industrial investment (except for financial investment, venture capital). Shunfa Hengye is owned as to approximately 61.33% by Wanxiang Group which in turn is ultimately controlled by Mr. Lu.

The Vendor

The Vendor is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, which is principally engaged in production and sales of electricity and steam gas; and power related technical support and consulting services.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Group, Vendor, Purchaser and Target Group are ultimately controlled by Mr. Lu.

(7) Implications under the Listing Rules

The Purchaser is a direct wholly-owned subsidiary of Shunfa Hengye, which is owned as to approximately 61.33% by Wanxiang Group which in turn is ultimately controlled by Mr. Lu, the ultimate controller of the Company. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction must abstain from voting on the relevant resolution at the EGM. As at the Latest Practicable Date, Puxing International, which is ultimately controlled by Mr. Lu, is the Controlling Shareholder interested in approximately 65.42% of the total number of Shares in issue of the Company and the Purchaser is a direct wholly-owned subsidiary of Shunfa Hengye, which is owned as to approximately 61.33% by Wanxiang Group which in turn is ultimately controlled by Mr. Lu. Accordingly, Puxing International and its associates will be required to abstain from voting on the resolution in relation to the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder.

Save as abovementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder and therefore, no other Shareholder is required to abstain from voting at the EGM on the relevant resolution.

To the best of the knowledge, information and belief of the Directors, since Mr. Xu Anliang (the chairman of the Board and an executive Director, also the senior executive vice president of Wanxiang Group) is not a director of and does not hold any equity interest in Wanxiang Group, Shunfa Hengye and the Purchaser, and did not participate in the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder as the Purchaser, none of them has any material interest in the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder. No Director was required to abstain from the relevant Board resolutions passed, however, Mr. Xu was absent and did not vote at the relevant meeting of the Board.

(8) Independent Board Committee and Independent Financial Adviser

The Independent Board Committee comprising Mr. Tse Chi Man, Mr. Yao Xianguo and Mr. Yu Wayne W., being all the independent non-executive Directors, has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder.

In this connection, the Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder.

III. EGM AND PROXY ARRANGEMENT

A notice convening the EGM to be held at Kowloon Room I, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Kowloon, Hong Kong on Tuesday, 10 January 2023 at 11:00 a.m. is set out on pages 51 to 52 of this circular. At the EGM, an ordinary resolution will be proposed for the approval of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

IV. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders to be taken at the EGM shall be taken by poll. Therefore, the chairman of the EGM will demand a poll for the ordinary resolution to be put forward at the EGM pursuant to article 66(1) of the amended and restated articles of association of the Company. The Company will appoint scrutineers to handle vote-taking procedures at the EGM. The results of the poll will be published on the websites of the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.puxing-energy.com) as soon as possible after the EGM in accordance with Rule 13.39(5) of the Listing Rules.

V. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for registration of transfer of Shares from Thursday, 5 January 2023 to Tuesday, 10 January 2023 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the EGM, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, 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, 4 January 2023.

VI. RECOMMENDATION

Having considered the reasons set out in the section headed "II. Major and Connected Transaction", the Directors (including the independent non-executive Directors), having considered the advice of the Independent Financial Adviser, are of the opinion that while the Disposal contemplated under the Equity Transfer Agreement is not in the ordinary and usual course of business of the Company, the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better to the Group, and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution regarding the same.

The Independent Board Committee has been established by the Company to consider the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been engaged to advise the Independent Board Committee and the Independent Shareholders in this respect. Your attention is drawn to (i) the letter setting out the advice from the Independent Board Committee to the Independent Shareholders, and (ii) the letter of advice from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder, which are set out in this circular.

VII. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Puxing Energy Limited
XU Anliang
Chairman

The following is the letter from the Independent Board Committee to the Independent Shareholders in respect of the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

PUXING ENERGY LIMITED
普星能量有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 90)

23 December 2022

To the Independent Shareholders of Puxing Energy Limited

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 30% EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

We refer to the circular of the Company dated 23 December 2022 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter have the same meaning as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of the Company to consider the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the section headed "II. Major and Connected Transaction" in the "Letter from the Board" contained in the Circular.

Your attention is drawn to the "Letter from the Board", the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder as set out in the "Letter from the Independent Financial Adviser" as well as other additional information set out in other parts of the Circular.

RECOMMENDATION

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that while the Disposal contemplated under the Equity Transfer Agreement is not in the ordinary and usual course of business of the Company, the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better to the Group, and in the interest of the Company and its Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
The Independent Board Committee of
Puxing Energy Limited

Tse Chi Man	**Yao Xianguo**	**Yu Wayne W.**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of the letter of advice from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Donvex
富域資本
Donvex Capital Limited
富域資本有限公司

Unit 2502, 25/F
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

23 December 2022

The Independent Board Committee and the Independent Shareholders of Puxing Energy Limited

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 23 December 2022 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

As disclosed in the Letter from the Board, on 22 November 2022, the Vendor, the Purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 30% of the equity interest in the Target Company at the Consideration of RMB61,300,000 (equivalent to approximately HK$68,656,000), subject to the terms and conditions of the Equity Transfer Agreement.

As at the Latest Practicable Date, the Purchaser is a direct wholly-owned subsidiary of Shunfa Hengye. Shunfa Hengye is owned as to approximately 61.33% by Wanxiang Group. Wanxiang Group is ultimately controlled by Mr. Lu, who is the ultimate controller of the Company. As such, the Purchaser is a connected person of the Company, and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tse Chi Man, Mr. Yao Xianguo and Mr. Yu Wayne W, has been established to advise the Independent Shareholders on (i) whether the terms of the Equity Transfer Agreement are in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole; (ii) whether the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect to the relevant resolution(s) to approve the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM. In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, Puxing International, which is ultimately controlled by Mr. Lu, is the Controlling Shareholder interested in approximately 65.42% of the total number of Shares in issue. Accordingly, Puxing International and its associates will abstain from voting on the relevant resolution(s) in relation to the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

INDEPENDENCE

We did not act as financial adviser to the Group and its respective connected persons in the past two years immediately preceding the Latest Practicable Date.

In the past two years immediately preceding the Latest Practicable Date, we have acted as the independent financial adviser to independent board committee and independent shareholders of the Company for the major and continuing connected transaction in relation to the provision of deposit services, bills acceptance services and bills discounting services to the Group under the financial services framework agreement entered into between the Company and Wanxiang Finance Co., Ltd. on 30 March 2022, details of which are set out in the circular of the Company dated 18 May 2022 (the "**Previous Engagement**").

Under the Previous Engagement, we were required to express our opinion on and give recommendations to the independent board committee and independent shareholders of the Company in relation to the provision of deposit services, bills acceptance services and bills discounting services to the Group. Apart from the independent financial adviser roles in connection with the Disposal and the Previous Engagement, we have not acted in any capacity of the Group in the past two years immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.

We are independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and, accordingly, are qualified to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view regarding the Equity Transfer Agreement and the Disposal, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group, nor have we considered the taxation implication on the Group.

Our opinion is based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion, and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise, or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with the Equity Transfer Agreement and the Disposal, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Equity Transfer Agreement and the Disposal, we have taken into consideration the following principal factors and reasons:

A. Background information on the parties

1. The Group

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

2. The Purchaser

The Purchaser is a company established under the laws of the PRC with limited liability and is principally engaged in the (i) power generation business; (ii) sales of new energy equipment; (iii) estate management; and (iv) advertising and marketing planning.

As at the Latest Practicable Date, the Purchaser is a direct wholly-owned subsidiary of Shunfa Hengye, a company established under the laws of the PRC with limited liability and owned as to approximately 61.33% by Wanxiang Group, which in turn is ultimately controlled by Mr. Lu, the ultimate controller of the Company.

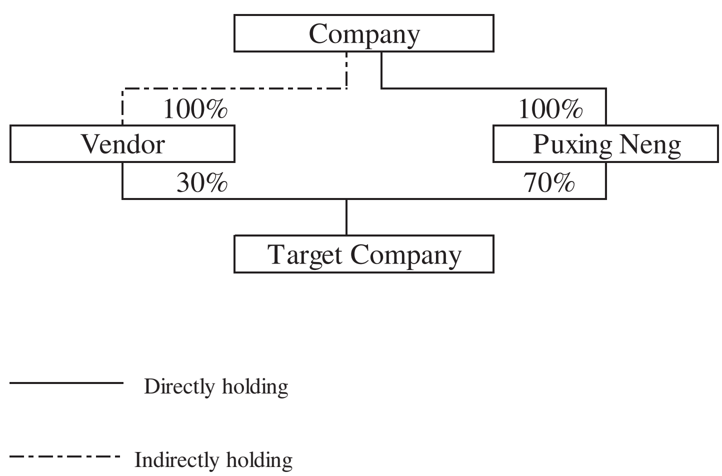
3. The Vendor

The Vendor is a company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, the Vendor is an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in (i) the production and sales of electricity and steam gas; and (ii) the provision of power related technical support and consulting services.

B. Background information on the Target Group

The Target Company is a sino-foreign equity joint venture enterprise established under the laws of the PRC with limited liability on 18 August 2004 with a registered capital of USD18,408,710 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date. It is principally engaged in (i) natural gas power generation and on-grid sales; (ii) production and sales of supporting electromechanical equipment; (iii) waste heat production and hot water sales; and (iv) development, operation, maintenance and technical services of power grid auxiliary service projects.

The following chart sets forth the shareholding structure of the Target Company as at the Latest Practicable Date:



As at the Latest Practicable Date, the Target Company is owned as to 30% by the Vendor, an indirect wholly-owned subsidiary of the Company, and 70% by Puxing Neng, a direct wholly owned subsidiary of the Company, respectively.

The tables below set forth a summary of the key consolidated financial information of the Target Group, which is prepared in accordance with general accepted accounting principles of the PRC (the "**PRC GAAP**") by PRC certified public accountants, for the year ended 31 December 2020 ("**FY2020**"), 31 December 2021 ("**FY2021**") and the eight months ended 31 August 2022 ("**8M2022**"):

	FY2020	**FY2021**	**8M2022**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Profit before taxation	78,923	72,558	22,512
Profit after taxation	58,811	53,303	17,157

The profit before taxation decreased from approximately RMB79 million for the year ended 31 December 2020 to approximately RMB73 million for the year ended 31 December 2021, which is mainly due to the decrease in the revenue as a result of the reduction in the unit of electricity generated in FY2021.

Based on the Audit Report, the audited consolidated net asset value of Target Group as at 31 August 2022 was approximately RMB249,335,000. The appraised value of the entire equity of the Target Company as at 31 August 2022 prepared by an independent professional valuer by adopting the asset-based approach was approximately RMB293,474,500.

C. Reasons for and benefits of the Disposal

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

The Group aims to diversify from natural gas power plant business into new energy power generation. The Group believes that the Disposal would provide an opportunity to the Group to release the value of the natural gas power plants held as well as immediate available funds for the future business development of the Group as opportunities arise.

Assessment on the reasons for and benefits of the Disposal

The decrease in the profit of the Group for the six months ended 30 June 2022 ("**6M2022**") as compared to the six months ended 30 June 2021 is mainly due to (i) the reduction in capacity tariff with effect from 1 January 2022; (ii) increase in the cost of natural gas in the first half of 2022, leading to the circumstances that the cost of power generation per unit is higher than the volume tariff of the electricity per unit promulgated by the government as at 30 June 2022; and (iii) the temporary suspension of the electricity spot market trading in the first half of 2022 which hindered the Company from selling the electricity in the market (given the timetable for reopening the electricity spot market cannot be anticipated). In view of the above, the Company is concerned that all the above factors would continue to have an adverse impact on the profitability of the Company.

In light of the above, the Company entered into the Equity Transfer Agreement because:

(i) the Company currently only participates in the business of development, operation and management of natural gas-fired power plants in Zhejiang province. The Disposal can reduce the business risk of the Company derived from the unexpected adjustment on the capacity tariff made by the government in the future;

(ii) the cost of the Company in the generation of electricity may increase and the profitability of the Group may deteriorate since the price of gas is expected to rise in the future. According to a research report on the natural gas industry, namely, Global increase in the price natural gas: causes, trends and implications (《行業深度報告：全球天然氣價格上漲潮：原因、趨勢及影響》) dated 1 August 2022, issued by East Asia Qianhai Securities Co., Ltd, a security firm established in the PRC, such rise is mainly due to (a) the decrease in the supply of natural gas by Russia attributable to the outbreak of the Russia-Ukraine war; and (b) the increase in the demand for natural gas as a result of extreme weather;

(iii) upon the Completion, although the Target Company will remain an indirectly controlled subsidiary of the Company, the Disposal will reduce the adverse effect of (a) the unexpected adjustment on capacity tariff as mentioned in (i) above; and (b) the increasing cost as mentioned in (ii) above on the profit attributable to the Company; and

(iv) the proceeds from the Disposal can be used for the development of energy-related business and/or other business by way of acquisition of or investment in such business(es) or companies engaged in the same as the opportunities arise. Although the Company has not identified any specific target of such acquisition or investment, the proceeds from the Disposal will (i) involve less time and no financing cost when compared with obtaining credit facilities from other financial institutes; (ii) increase the cash of the Company and immediate available funds for acquisition of or investment in relevant business or companies; and (iii) enable the Company to make immediate decision on acquisition or investment and shorten the transaction time if opportunities arise.

As such, we are of the view that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D. Principal terms of the Equity Transfer Agreement

The following summarizes the principal terms of the Equity Transfer Agreement

Date	:	22 November 2022
Parties	:	(1) the Vendor;
		(2) the Purchaser; and
		(3) the Target Company

Subject matter	:	Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 30% of the equity interest in the Target Company, subject to terms and conditions of the Equity Transfer Agreement. For more information on the Target Group, please refer to the section headed "Information on the Target Group".
Consideration	:	The Consideration for the Disposal is RMB61,300,000 (equivalent to approximately HK$68,656,000) which was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to a number of factors, including (i) the audited consolidated net asset value of the Target Group as at the Audit Reference Date based on the Audit Report (i.e., in the amount of approximately RMB249,335,000) less the Distributed Profits; (ii) the financial performance of the Target Group for the eight months ended 31 August 2022; and (iii) the benefits of the Disposal as set out under the section headed "II. MAJOR AND CONNECTED TRANSACTION – (4) Reasons for and benefits of the Disposal" in Letter from the Board.

E. Assessment on the Consideration

1. Our analysis

We have selected the price-to-earnings ("**P/E**") multiple and the price-to-book ("**P/B**") multiple (collectively, the "**Multiples**"), which are commonly adopted for the assessment of the reasonableness of the Consideration for the disposals involving power assets. The following table sets forth the calculation of the Multiples for the Disposal:

P/E multiple (times)

Basis	:	The P/E multiple is calculated based on (a) the Consideration of RMB61.3 million; (b) the percentage of the shares of the Target Company to be disposed of under the Disposal of 30%; and (c) the pro rata net profits of the Target Company for the year ending 31 December 2022 of approximately RMB25.7 million based on the audited profit after taxation for the eight months ended 31 August 2022.

Calculation	:	$\dfrac{(a) \div (b)}{(c)}$
Ratio	:	7.95

P/B multiple (times)

Basis	:	The P/B multiple is calculated based on (a) the Consideration of approximately RMB61.3 million; (b) the percentage of the shares of the Target Company to be disposed of under the Disposal of 30%; (c) the audited consolidated net assets as at 31 August 2022 of the Target Company of approximately RMB249.3 million; and (d) the Distributed Profit of RMB45 million.
Calculation	:	$\dfrac{(a) \div (b)}{[(c) - (d)]}$
Ratio	:	1.00

For the purpose of assessing the fairness and reasonableness of the Consideration, we have derived the Multiples and compared them to the Multiples of (a) certain companies which are listed in Hong Kong and have operations similar to the Target Company (the "**Comparable Companies**"); and (b) certain transactions involving disposal of power generation companies in PRC (the "**Comparable Transactions**").

2. Comparison between the Multiples of the Disposal and the Comparable Companies

Since the Group is principally engaged in the development, operation and management of natural gas-fired power plants, we have selected the Comparable Companies engaged in the similar industry to the Group.

As such, we have selected 14 Comparable Companies. The following table sets out a summary of the Multiples of the Comparable Companies:

	Comparable Companies	Stock Code	P/E multiple	P/B multiple
			(Note 1)	*(Note 2)*
			times	*times*
1	Power Assets Holdings Ltd.	00006.HK	18.34	1.21
2	Beijing Jingneng Clean Energy Co., Limited	00579.HK	1.43	0.48
3	China Resources Power Holdings Company Limited	00836.HK	8.92	0.74
4	China Longyuan Power Group Corporation Limited	00916.HK	5.84	2.03
5	Sichuan Energy Investment Development Co., Ltd.	01713.HK	1.76	0.61
6	CGN New Energy Holdings Co., Ltd.	01811.HK	5.69	1.32
7	CGN Power Co., Ltd.	01816.HK	1.80	0.63
8	Datang International Power Generation Co., Ltd.	00991.HK	5.61	0.40
9	Huadian Power International Corporation Limited	01071.HK	1.55	0.44
10	China Power International Development Limited	02380.HK	31.74 *(Note 3)*	1.08
11	CLP Holdings Limited	00002.HK	N/A *(Note 4)*	1.37
12	Tianjin Tianbao Energy Co., Ltd.	01671.HK	N/A *(Note 4)*	0.27
13	GCL New Energy Holdings Limited	00451.HK	N/A *(Note 4)*	15.29 *(Note 5)*
14	Huaneng Power International, Inc.	00902.HK	N/A *(Note 4)*	0.63
	High-end		31.74	15.29
	Low-end		1.43	0.27
	Average		8.27	1.89
	Median		5.65	0.69
	Excluding outliers			
	High-end		18.34	2.03
	Low-end		1.43	0.27
	Average		5.66	0.86
	Median		5.61	0.63
	The Disposal		**7.95**	**1.00**

Source: Stock Exchange, annual results for FY2021 of each Comparable Company

Note 1: The P/E multiple of the respective Comparable Companies is calculated based on the market capitalisation as at 30 June 2022 divided by the pro rata net profits of the Comparable Company for the year ending 31 December 2022 based on the profit after taxation for 6M2022 disclosed in the interim results for 6M2022.

Note 2: The P/B multiple of the respective Comparable Companies is calculated based on the closing share price as at 30 June 2022 divided by the net asset value per share as at 30 June 2022, which is calculated based on the net asset value as at 30 June 2022 divided by the number of shares issued as at 30 June 2022 disclosed in the interim results for 6M2022 and monthly return of equity issuer on movement in securities as at 30 June 2022 of the respective Comparable Companies.

Note 3: The P/E multiple of this Comparable Company is exceptionally high and we are of the view that the P/E multiple of this Comparable Company is an outlier.

Note 4: The P/E multiples of these Comparable Companies are not applicable since these Comparable Companies were in net loss position for FY2021.

Note 5: The P/B multiple of this Comparable Company is exceptionally high and we are of the view that the P/B multiple of this Comparable Company is an outlier.

As shown in the table above, the P/E multiple of the Comparable Companies (excluding outliers) ranged from approximately 1.43 to approximately 18.34. As such, the P/E multiple of the Disposal falls within the range of the Comparable Companies (excluding outliers) and is higher than the average and the median of the P/E multiples of the Comparable Companies (excluding outliers).

In respect of the P/B multiple of the Comparable Companies (excluding outliers), it ranged from approximately 0.27 to approximately 2.03. As such, the P/B multiple of the Disposal falls within the range of the Comparable Companies (excluding outliers) and is higher than the average and the median of the P/B multiples of the Comparable Companies (excluding outliers).

3. *The Comparable Transactions*

We have used our best efforts to conduct analysis by reviewing the Multiples of the Comparable Transactions announced after 1 January 2020 and have formulated the criteria that the Comparable Transactions are related to the disposal of natural gas power plants.

Based on the above criteria and with our best efforts, we are not aware of any precedent transactions relating to the disposal of natural gas power plants.

4. *Valuation*

We noted from the Letter from the Board that the Company engaged an independent professional valuer to appraise the market value of the entire equity of the Target Company at the request of the Purchaser for its reference. The appraised value of the shareholders' entire equity of the Target Company is approximately RMB293 million, representing approximately 17.7% higher than the audited net assets value stated in the Audit Report. Such increase in the appraised value is mainly due to the appreciation in the land use right of the Target Company (the "**Land Use Right**").

We are of the view that the appraised value of Land Use Right should not be taken into account as a basis for determining the Consideration due to the following reasons:

(i) according to the relevant PRC laws and regulations, in the event that the Land Use Right is transferred, in principle the Land Use Right is required to be transferred entirely together with its buildings and attachments on the land as a whole. Otherwise, approval and consent from relevant government authorities should be obtained. Since there is a natural gas-fired power plant constructed on the land under the Land Use Right, in case that a potential buyer of the Land Use Right plans to use the land for other business purpose which requires demolishing the existing power plants or to carry out the land-restructuring on the Land Use Right, the potential buyer of the Land Use Right may prefer purchasing undeveloped lands for sale in the primary land market (the "**Undeveloped Lands**") in order to (a) save the time of obtaining approval and consent from relevant government authorities; (b) save the cost in relation to the demolition and land-restructuring; and (c) minimise the uncertainties in obtaining approval and consent from relevant government authorities in relation to the transfer of the Land Use Right. Therefore, it is unlikely that there are potential buyers who are interested in acquiring the Land Use Right only; and

(ii) the comparable land use rights used in the valuation are Undeveloped Lands without any equipment and buildings attached to it whereas there is a power plant constructed on the land under the Land Use Right. Therefore, such direct comparison did not reflect the factors as stated in (i) above which leads to the low liquidity of the Land Use Right, and the illiquidity of the Land Use Right should be considered in the valuation. The valuation of the net asset value of the Target Company is similar to its audited net assets value stated in the Audit Report after taking out the appreciation of the land use right of the Target Company. As such, the appraised value is not of much reference value in determining the Consideration.

Based on the above, we concurred with the Company's view and considered such practice is fair and reasonable.

5. Our view on the Consideration

Considering that (a) the P/E multiple of the Disposal falls within the range of the Comparable Companies (excluding outliers) and is higher than the average and the median of the P/E multiples of the Comparable Companies (excluding outliers); and (b) the P/B multiple of the Disposal falls within the range of the Comparable Companies (excluding outliers) and is higher than the average and the median of the P/B multiples of the Comparable Companies (excluding outliers), respectively, we are of the view that the Consideration is fair and reasonable.

F. Financial effects of the Disposal

The Disposal represents a disposal of 30% equity interests in the Target Company. As such, the Target Company will remain an indirectly controlled subsidiary of the Company upon the Completion. As such, the Disposal will be accounted for an equity transaction with owners. Therefore, no gain or loss will be recognised for the Disposal.

Assuming the Completion and the Distributed Profits had occurred on 31 August 2022 and for an illustrative purpose only, it is estimated that a deficit of approximately RMB2,747,000 will be recognised in the reserves of the Group. The estimated deficit of approximately RMB2,747,000 is calculated based on the Consideration (RMB61,300,000) less (i) the unaudited net asset value of the Target Group as at 31 August 2022 attributable to the interest to be disposed (approximately RMB75,397,000) less the Distributed Profits attributable to the interest to be disposed (RMB13,500,000); and (ii) the estimated transaction expenses directly attributable to the Disposal of approximately RMB2,150,000. It is estimated that the assets of the Group will be increased by approximately RMB59,150,000, and the Disposal will not have any material effect on the Group's earnings (save the allocation of profit or loss between the equity Shareholders and the non-controlling interests resulting from the Disposal) and liabilities.

The abovementioned estimated figures are subject to the final net asset value of the Target Group at the Completion and final transaction expenses directly attributable to the Disposal.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the terms of the Disposal are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole even though they are not conducted in the ordinary and usual course of business of the Group.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favor of the ordinary resolution(s) to be proposed at the EGM to approve the Disposal.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

Ms. Doris Sy is a person licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and is a responsible officer of Donvex Capital Limited who has around 20 years of experience in corporate finance advisory.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 is disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.puxing-energy.com):

- the Company's annual report for the year ended 31 December 2019 published on 21 April 2020 (pages 83 to 219), which can be accessed by the direct hyperlink below:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0421/2020042100450.pdf

- the Company's annual report for the year ended 31 December 2020 published on 29 April 2021 (pages 107 to 234), which can be accessed by the direct hyperlink below:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042902249.pdf

- the Company's annual report for the year ended 31 December 2021 published on 26 April 2022 (pages 95 to 215), which can be accessed by the direct hyperlink below:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600675.pdf

2. INDEBTEDNESS

As at the close of business on 31 October 2022, the Group has outstanding borrowings of approximately RMB990,572,000 and lease liabilities of approximately RMB311,000, details of which are as follows:

	RMB'000
Unsecured and unguaranteed	
Loans from related parties	770,157
Consideration payable	105,842
Bank loans	70,093
Unsecured and guaranteed	
Bank loans	44,480
Sub-total	990,572
Lease liabilities	311
Total	990,883

Save as disclosed herein and the contingent liabilities as disclosed in the section headed "4. LITIGATION" in Appendix III of which approximately RMB1,688,000 has been recognised as construction payable of the Group in accordance with the contract, the Group did not have any material outstanding loan capital or debt securities or non-convertible notes issued or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees, or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account (i) the effect of the transactions contemplated under the Equity Transfer Agreement; (ii) the financial resources (including but not limited to the internally generated cash flows and existing cash and bank balances); and (iii) the credit facilities from Wanxiang Finance, the Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular in the absence of unforeseen circumstance, including but not limited to, unforeseen changes in existing government policies or political, legal, fiscal, market or economic conditions in the PRC.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the development, operation and management of natural gas-fired power plants. The Group has an installed capacity of 687.73MW (including approximately 1,072kW photovoltaic power generating units) and a maximum heating capacity of approximately 360 tons/hour.

For the year ended 31 December 2021, the profit attributable to equity Shareholders was approximately RMB103,825,000, representing a decrease of 16.4% as compared with that of year 2020.

As disclosed in the announcement of the Company dated 7 October 2021, Zhejiang Provincial Development and Reform Commission published the "Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Optimising the Province's Ongrid Tariff of Natural Gas Power Generation" (Zhe Fe Gai Jia Ge [2021] No.357)(《省發展改革委關於優化我省天然氣發電上網電價的通知》(浙發改價格[2021]357號)), the capacity tariff of the Target Company, the Vendor and Zhejiang Puxing Jingxing Natural Gas Power Co., Ltd.*(浙江普星京興然氣發電有限公司) under the Group was adjusted from RMB470/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 Quzhou Puxing and Puxing (Anji) Gas Turbine Thermal Power Co., Ltd.*(普星(安吉)燃機熱電有限公司) under the Group was adjusted from RMB680/kW (VAT inclusive) per year to RMB571.2/kW (VAT inclusive) per year since 1 January 2022.

Affected by (i) the abovementioned 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 Zhejiang Province Development and Reform Commission 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.

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.

Looking forward, 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.

5. MATERIAL ADVERSE CHANGE

Save as disclosed in the profit warning announcement of the Company dated 15 August 2022, the Company's interim report for the six months ended 30 June 2022 published on 19 September 2022 and the section headed "4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP" in this appendix above, the Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The following is the text of a report prepared for the purpose of incorporation into this circular received from Roma Appraisals Limited in connection with its opinion on the value of the major generator equipment held by the Target Group as at 31 August 2022.

ROMA

22/F, China Overseas Building,
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

23 December 2022

Puxing Energy Limited
Room 706, 7/F., Albion Plaza,
2-6 Granville Road,
Tsim Sha Tsui, Kowloon,
Hong Kong

Dear Sir/Madam,

Re: Valuation of the Assets held by Zhejiang Puxing Deneng Natural Gas Power Co., Ltd. and its subsidiary

In accordance with your recent instructions for us to value the major generator equipment (the "**Assets**") held by Zhejiang Puxing Deneng Natural Gas Power Co., Ltd. (the "**Target Company**") and its subsidiary, Quzhou Puxing Gas Turbine Thermal Power Co., Ltd. (collectively hereinafter referred to as the "**Target Group**") of Puxing Energy Limited (the "**Company**", together with its subsidiaries and/or associate companies hereinafter collectively referred to as the "**Group**") located in the People's Republic of China (the "**PRC**"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the valuation as at 31 August 2022 (the "**Date of Valuation**") for the purpose of incorporation in the circular of the Company dated 23 December 2022.

1. BASIS OF VALUATION

Our valuations of the Assets are our opinion of the market values of the concerned Assets which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our opinion of market value (in-use) is not intended to represent the amount that might be realized from piecemeal disposition of Assets in the open market or from alternative use of the Assets.

2. VALUATION METHODOLOGY

Valuation methodologies commonly adopted in the market for assets similar to the Assets are as follows:

2.1 The Sales Comparison Approach

The sales comparison approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised Assets relative to the market. Comparative assets for which there is established and used market may be appraised by this approach.

The Assets are specifically designed and used for natural gas-fired power generation relevant purposes. Each specialized manufacturer has own configuration to modify its equipment to accommodate the special products. The Assets cannot be used for other purposes. According to our market research, such specific type of assets is not readily available in the market. Therefore there are no comparative assets for which there is established and used market. As such, the sales comparison approach is not appropriate in the circumstances.

2.2 The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of stable cash flow income.

The income approach involves adoption of assumptions in relation to the cash flow income generated from the Assets, not all of which can be easily and accurately quantified or ascertained. In the event of any such assumptions are founded to be incorrect or unfounded, the valuation would be significantly affected. As such, the income approach is not appropriate in the circumstances.

2.3 The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the Assets appraised in accordance with current market prices for similar assets or by making reference to the purchase price of similar assets, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present (if applicable), whether arising from physical, functional or economic cause. The cost approach generally furnishes the most reliable indication of value for assets with specific purpose and without known used market.

Physical depreciation is the loss in value due to physical deterioration resulting from wear and tear in operation and exposure to elements. Deterioration due to age and deterioration due to usage are the main factors that affect physical condition.

Due to the specialized purpose-built nature of the Assets with specific requirements designed for natural gas-fired power generation facility and the lack of known used market as mentioned above, the cost approach would be appropriate for valuing the Assets.

We have considered linear depreciation method which is a method of calculating the depreciation of an asset, assuming the asset will lose an equal amount of value each year. The annual depreciation is calculated by subtracting the salvage value of the asset from purchase price, and then dividing this number by the estimated useful life of the asset.

In valuing the Assets held by the Target Group, we have valued it by the cost approach. Our valuation is prepared in accordance with the "RICS Valuation – Global Standards" published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

2.4 Sensitivity Analyses

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, sensitivity analyses were carried out on the Market Value of the Assets in respect of the useful life and inflation adjustment. The results of the sensitivity analyses for the valuation of the Assets were as follows respectively:

Useful Life (year)	**Market Value** *(RMB)*
+2	622,000,000
+1	608,000,000
–1	577,000,000
–2	560,000,000

Inflation Adjustment (%)	**Market Value** *(RMB)*
+2%	622,000,000
+1%	608,000,000
–1%	577,000,000
–2%	560,000,000

2.5 Conclusion

For the reasons set out above, we consider it is more appropriate and in line with industry norm and market practice in the circumstances to adopt the cost approach.

In our valuation under the cost approach, the amount of the cost of the Assets was RMB986,970,996 and the allowance for accrued depreciation was RMB394,600,000 (based on the annual depreciation rate of approximately 3.1-19.6% and approximately 0%-11.83% inflation adjustment rate). The market value of the Assets as at the Date of Valuation was therefore RMB593,000,000, being the amount of the cost of the Assets minus the allowance for accrued depreciation.

3. THE ASSETS

The Assets mainly included machineries & equipment used for natural gas-fired power generation situated at Quzhou City and Huzhou City, Zhejiang Province which were held by the Target Group as at the Date of Valuation. The Target Group is principally engaged in development, operation and management of power plant in the PRC.

In valuing the Assets, we have relied on the advice given by the Group that the Target Group has valid and enforceable title to the Assets and the records of the Assets including the costs and acquisition dates. The Assets were kept in reasonable condition and basically in good productive manner and good working conditions and capable of operating the purpose for which they were designed and produced.

The Assets mainly included major gasoline oil generators (燃氣機發電機組), steam generators (蒸汽發電機組), oil systems (滑油系統), control systems (控制系統), natural gas control system (天然氣控制系統), pressure transmitters systems (壓力變送系統), drainage systems (排污系統), steam extraction system (抽汽系統), boiler de-aeration system (鍋爐除氧系統), boiler drainage system (鍋爐疏水排污系統), boiler flue gas system (鍋爐煙氣系統) and thermal control cabinet (熱能控制裝置), etc.

4. VALUATION CONSIDERATION AND ASSUMPTION

The Assets had been observed to be in generally good operating conditions. Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility, or other observable conditions distinguishing the appraised assets from Assets of like kind in new condition were noted and made part of our judgment in arriving at the value.

We have investigated market condition, discussed with professional and examined relevant documents and specification supplied to us. The situation being such, we have to a substantial extent relied upon our best judgment, while giving full consideration to the local condition. We have not investigated any safety regulations regarding the subject production. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the relevant government legislation and guidance.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates, identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for the accuracy. We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the Assets are used.

It must be noted that our valuation is relied on the information supplied by the Group. We did not attempt to operate or test the Assets. In addition, our valuation has been prepared based upon the assumptions that the Assets will continue in the existing use and the Assets will be used in the existing state with the benefit of continuity of tenure of land and buildings in the foreseeable future.

We have not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the Assets. Also no investigation was conducted as to whether the operation of specific pieces of Assets complied with the relevant environmental standard and ordinances; we have assumed that the Assets continue and will continue to comply with the current environmental standards and ordinances. We have made no allowance in our valuation for costs, if any, associated with the disposal or handling of materials required to comply with current or changing environment legislations. We have made no investigation and assume no responsibility for titles or liabilities against the Assets.

The major assumptions adopted in this valuation included:

- The existing political, legal, and economic conditions in the jurisdiction where the parties to the transaction operates or will operate, i.e. the PRC, which will materially affect the revenues generated will have no material change;

- The taxation laws, policy-base levies in the jurisdiction where the parties to the transaction operates or will operate will have no material change;

- Unless otherwise stated, the Group will be fully complied with all applicable laws and regulations;

- The financial information in respect of the evaluated entity is has been prepared on a reasonable, accountable and stable basis, reflecting estimates by the management of the evaluated entity. The information has also been examined under due and careful considerations;

- There is no force majeure or unforeseeable circumstances which may materially affect the evaluated entity and economic conditions will not deviate significantly from reasonable economic forecasts;

- The information in relation to the Assets provided to us by the Group is true, complete and lawfully valid; and

- The adopted accounting policies, scope of business, mode of operation of the evaluated entity will be consistent with such as at the Date of Valuation.

5. REMARKS

We hereby confirm that we have neither present nor prospective interest in the Group, the Assets and the associated companies, or the values reported herein.

Unless otherwise stated, all monetary amounts stated in our valuation is in Renminbi ("**RMB**").

6. VALUATION

Our opinion of the market value of the Assets, based on the aforesaid basis, assumptions and considerations, as at 31 August 2022 was **RMB593,000,000 (RENMINBI FIVE HUNDRED AND NINETY THREE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Frank F. Wong
BA (Business Admin in Acct/Econ) MSc (Real Est)
MRICS Registered Valuer MAusIMM ACIPHE
Director, Head of Property and Asset Valuation

Note: Mr. Frank F. Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering with over 23 years of valuation, transaction advisory and project consultancy experience of properties in Hong Kong and 15 years of experience in valuation of properties and assets in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, Thailand, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE), Ukraine and Jordan.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interests	Number of Shares/ underlying Shares held *(note 1)*	Percentage of issued share capital
Puxing International	Beneficial interest	300,000,000 (L)	65.42%
Anergy International Limited (“**Anergy International**”) *(note 2)*	Interests in a controlled corporation	300,000,000 (L)	65.42%
Wanxiang Group *(note 2)*	Interests in a controlled corporation	300,000,000 (L)	65.42%
Mr. Lu *(note 2)*	Interests in a controlled corporation	300,000,000 (L)	65.42%

Name of Shareholder	Capacity/Nature of interests	Number of Shares/ underlying Shares held (note 1)	Percentage of issued share capital
Ms. Li Li (note 3)	Interest of spouse	300,000,000 (L)	65.42%
BC Greater China Opportunities Fund SPC – BC New Energy Fund SP ("**BC Fund SPC**")	Beneficial interest	35,122,000 (L)	7.66%
BC Capital Group Limited (note 4)	Interests in a controlled corporation	35,122,000 (L)	7.66%

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares.

(2) These Shares are held by Puxing International, which is owned as to 100% by Anergy International, which is owned as to 100% Wanxiang Group which in turn is ultimately controlled by Mr. Lu. Therefore, Anergy International, Wanxiang Group and Mr. Lu are deemed to be interested in the Shares held by Puxing International.

(3) Ms. Li Li is the spouse of Mr. Lu and is therefore deemed to be interested in the said Shares in which Mr. Lu is deemed to be interested.

(4) These Shares are held by BC Fund SPC. BC Fund SPC is owned as to 100% by BC Asset Management Limited, which in turn is owned as to 100% by BC Capital Group Limited. BC Capital Group Limited is owned as to 68% by Fullsun International Capital Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, there was no other person, other than Directors or chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, so far as is known to the Directors, Mr. Xu Anliang (the chairman of the Board and an executive Director) is the senior executive vice president of Wanxiang Group and a director of Anergy International.

3. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

(a) None of the Directors has entered or proposed to enter into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).

(b) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) As at the Latest Practicable Date, save the interest of Mr. Xu Anliang in the financial services framework agreement dated 30 March 2022 entered into between the Company and Wanxiang Finance Co., Ltd.*（萬向財務有限公司）(“**Wanxiang Finance**”) by reason of his position as a director of Wanxiang Finance, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into by the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, and which was significant in relation to the business of the Group.

(d) As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Company.

4. LITIGATION

As at the Latest Practicable Date, save that Puxing (Anji) Gas Turbine Thermal Power Co., Ltd.*（普星(安吉)燃機熱電有限公司）(an indirect wholly-owned subsidiary of the Company) received a civil complaint（民事起訴狀）dated 15 July 2022 filed with the People’s Court of Anji Province*（安吉縣人民法院）in relation to a claim made by Jiangsu Tian Mu Construction Group Co., Limited*（江蘇天目建設集團有限公司）regarding certain dispute over a construction contract claiming for an amount of RMB4,129,521.27 together with the relevant interest accrued and the costs incurred in connection with such legal proceedings, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

5. QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Donvex Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Roma Appraisals Limited	Independent valuer

(b) As at the Latest Practicable Date, each of the above experts did not have any shareholding in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice and opinion and references to its name in the forms and contexts in which it appeared. The letter from each of the above experts is given as of the date of this circular for incorporation in this circular.

6. MATERIAL CONTRACTS

Save the Equity Transfer Agreement, no contract (not being a contract entered into in the ordinary course of business) has been entered into by member(s) of the Group within the two years immediately preceding the date of this circular and is or may be material.

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.puxing-energy.com) for a period of 14 days from the date of this circular:

(a) the Equity Transfer Agreement;

(b) the letter from the Independent Financial Adviser as set out in this circular;

(c) the valuation report of the major generator equipment owned by the Target Group as set out in Appendix II to this circular; and

(d) the written consent of each of the expects as referred to in the section headed "5. Qualifications and consents of experts" in this appendix.

8. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Lai Chi Fung, who is a fellow member of Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office of the Company is at No.181-1 Hejiatang, Chongxian Subdistrict, Lingping District, Hangzhou 311108, Zhejiang Province, PRC and its principal place of business in Hong Kong is at Room 706, 7/F., Albion Plaza, 2-6 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong. The share registrar of the Company is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

PUXING ENERGY LIMITED
普星能量有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 90)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN an extraordinary general meeting ("**EGM**") of Puxing Energy Limited (the "**Company**") will be held at Kowloon Room I, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Kowloon, Hong Kong on Tuesday, 10 January 2023 at 11:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, approve the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the Disposal and the Equity Transfer Agreement dated 22 November 2022 referred to in the section headed "II. Major and Connected Transaction" in the "Letter from the Board" contained in the circular of the Company (the "**Circular**") of which this notice forms part, and the transactions contemplated thereunder be and are hereby approved."

By order of the Board
Puxing Energy Limited
XU Anliang
Chairman

Hong Kong, 23 December 2022

Principal Place of Business in Hong Kong:
Room 706, 7/F., Albion Plaza
2-6 Granville Road
Tsim Sha Tsui, Kowloon
Hong Kong

Registered Office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Notes:

(1) Any member of the Company (the "**Shareholder(s)**") entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.

(2) The form of proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

(3) Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof if so wish and in such event, the form of proxy shall be deemed to be revoked.

(4) Where there are joint Shareholders, any one of such joint Shareholders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint Shareholders be present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(5) The form of proxy and (if required by the board (the "**Board**") of directors (the "**Directors**") of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof.

(6) The register of members of the Company will be closed for registration of transfer of shares from Thursday, 5 January 2023 to Tuesday, 10 January 2023 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the EGM, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, 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, 4 January 2023.

(7) If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force within a period of two (2) hours before the commencement of the EGM, the EGM will be postponed or adjourned. The Company will post an announcement on the websites of the Company (www.puxing-energy.com) and the Stock Exchange (www.hkexnews.hk) to notify Shareholders of the date, time and place of the rescheduled meeting. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather condition bearing in mind their own situations.

(8) In order to prevent and control the spread of the COVID-19, the Company has adopted certain precautionary measures for the EGM, for details please refer to the precautionary measures for the EGM set out in the circular of the Company dated 23 December 2022.

(9) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, 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.