PUXING ENERGY LIMITED
普星能量有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 90)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2023	2022	
	RMB'000	*RMB'000*	*Change*
Revenue	**513,510**	753,307	-31.83%
Profit from operations	**140,772**	119,561	17.74%
Net profit attributable to equity shareholders of the Company	**70,842**	51,932	36.41%
Basic Earnings per share	**RMB0.154**	RMB0.113	36.28%
Dividend per share			
– Interim	**Nil**	Nil	0%
– Proposed final	**Nil**	HK$0.026	-100%

	At 31 December		
	2023	2022	
	RMB'000	*RMB'000*	*Change*
Total assets	**1,729,629**	1,779,710	-2.81%
Total equity attributable to equity shareholders of the Company	**816,130**	744,885	9.56%
Net asset value per share[1]	**RMB1.78**	RMB1.62	9.88%
Net debt[2]	**697,618**	869,756	-19.79%
Total capital[3]	**1,513,748**	1,614,641	-6.25%
Gearing ratio[4]	**46.09%**	53.87%	-7.78%

Notes:

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

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

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

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

The board (the "**Board**") of directors (the "**Directors**") of Puxing Energy Limited (the "**Company**" or "**Puxing Energy**") announces the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023, together with the corresponding comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*4*	**513,510**	753,307
Operating expenses			
Fuel consumption		**(211,665)**	(469,318)
Depreciation and amortisation		**(90,565)**	(87,922)
Repairs and maintenance		**(15,202)**	(15,514)
Personnel costs	*5(b)*	**(27,329)**	(27,693)
Administrative expenses		**(18,181)**	(22,201)
Sales related taxes		**(4,205)**	(4,868)
Other operating expenses		**(5,591)**	(6,230)
Profit from operations		**140,772**	119,561
Finance income		**623**	583
Finance expenses		**(37,501)**	(47,143)
Net finance costs	*5(a)*	**(36,878)**	(46,560)
Other income		**3,743**	3,577

	Note	**2023**	2022
		RMB'000	*RMB'000*
Profit before taxation	*5*	**107,637**	76,578
Income tax	*6*	**(36,797)**	(24,648)
Profit for the year		**70,840**	51,930
Attributable to:			
Equity shareholders of the Company		**70,842**	51,932
Non-controlling interests		**(2)**	(2)
Profit for the year		**70,840**	51,930
Earnings per share			
Basic *(RMB)*	*8(a)*	**0.154**	0.113
Diluted *(RMB)*	*8(b)*	**0.154**	0.113

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
Profit for the year	**70,840**	51,930
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	**2,215**	14,516
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(1,812)**	(18,534)
Total comprehensive income for the year	**71,243**	47,912
Attributable to:		
Equity shareholders of the Company	**71,245**	47,914
Non-controlling interests	**(2)**	(2)
Total comprehensive income for the year	**71,243**	47,912

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	**2023**	2022
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**1,448,964**	1,534,073
Intangible assets		**1,426**	2,135
Deferred tax assets		**6,119**	8,920
Other non-current assets		**21,848**	12,636
		1,478,357	1,557,764
Current assets			
Inventories		**58,465**	58,600
Trade and other receivables	*9*	**62,088**	73,915
Cash and cash equivalents		**130,719**	89,431
		251,272	221,946
Current liabilities			
Shareholder's loan		**112,866**	106,506
Interest-bearing borrowings	*10*	**374,575**	244,755
Consideration payable	*11*	**–**	106,655
Trade and other payables	*12*	**25,644**	24,903
Lease liabilities		**96**	175
Current taxation		**23,090**	21,802
		536,271	504,796
Net current liabilities		**(284,999)**	(282,850)
Total assets less current liabilities		**1,193,358**	1,274,914

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Interest-bearing borrowings	*10*	**340,800**	501,000
Lease liabilities		**–**	96
Deferred revenue		**10,694**	11,094
Deferred tax liabilities		**25,751**	17,854
		377,245	530,044
NET ASSETS		**816,113**	744,870
CAPITAL AND RESERVES			
Share capital		**40,149**	40,149
Reserves		**775,981**	704,736
Total equity attributable to equity shareholders of the Company		**816,130**	744,885
Non-controlling interests		**(17)**	(15)
TOTAL EQUITY		**816,113**	744,870

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. STATEMENT OF COMPLIANCE

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

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

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

At 31 December 2023, the Group had net current liabilities of RMB284,999,000 (31 December 2022: RMB282,850,000). In view of this circumstance, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Based on the future projection of the Group's profit and cash inflows from operations, the unused revolving loan credit facilities of RMB157.4 million as at 31 December 2023 granted by Wanxiang Finance Co., Ltd. ("**Wanxiang Finance**"), a fellow subsidiary of the Company, and the ability of the Group to obtain or renew bank loans and other financing facilities from related parties, including Wanxiang Finance, the Directors believe that the Group will generate sufficient cash flows to meet its liabilities as and when they fall due in the next twelve months. Accordingly, the Directors consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES

New and amended IFRSs

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

- IFRS 17, *Insurance contracts*

- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

IFRS 17, *Insurance contracts*

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. The amendments do not have a material impact on these financial statements.

Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements as the Group does not reach the threshold to be taxed under Pillar Two model rules.

4. REVENUE

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

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

- Volume tariff revenue represents the sale of electricity to power grid companies.
- Capacity tariff revenue represents a subsidy income from power grid companies, following a reduction in the annual planned power generation volume of the Group's power plants for supply to the power grid companies and changes in the electricity tariff policies applicable to the Group since 2015, pursuant to the "*Notice Regarding the Trial Implementation of Dual Tariff for Natural Gas Power Generating Units in Zhejiang Province*" issued by Zhejiang Provincial Price Bureau in June 2015 and the "*Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Optimising the Province's On-grid Tariff of Natural Gas Power Generation*" issued in September 2021.
- Revenue from sales of heat represents the sale of heat to corporate entities.
- Revenue from provision of operation and maintenance services represents the provision of operation and maintenance services to corporate entities.

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

Capacity tariff revenue is recognised based on the installed capacity and capacity tariff on a time-apportioned basis.

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

(i) Disaggregation of revenue

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
Electricity:		
Volume tariff revenue	**168,287**	395,678
Capacity tariff revenue	**300,595**	300,595
	468,882	696,273
Heat:		
Revenue from sales of heat	**44,628**	56,869
Service:		
Revenue from provision of operation and maintenance services	**–**	165
	513,510	753,307

The Group's customer base is concentrated and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2023, volume tariff revenue and capacity tariff revenue from this customer (including its subsidiaries) amounted to RMB468,882,000 (2022: RMB696,273,000).

5. PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2023	2022
	RMB'000	*RMB'000*
Interest income	**(623)**	(583)
Finance income	**(623)**	(583)
Interest on interest-bearing borrowings, consideration payable and shareholder's loan	**35,742**	42,688
Interest on lease liabilities	**7**	15
Total interest expense recognised in profit or loss	**35,749**	42,703
Bank charges	**36**	39
Net foreign exchange loss	**1,716**	4,401
Finance expenses	**37,501**	47,143
Net finance costs	**36,878**	46,560

(b) Personnel costs

	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and other benefits	**24,764**	25,192
Contribution to defined contribution plans	**2,565**	2,501
	27,329	27,693

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

(c) Other items

	2023	2022
	RMB'000	*RMB'000*
Net loss on disposal of property, plant and equipment	**442**	481
Depreciation charge		
– Owned property, plant and equipment	**87,955**	85,112
– Right-of-use assets - land use rights	**1,698**	1,698
– Right-of-use assets - other properties	**203**	326
Amortisation		
– Intangible assets	**709**	786
Expense relating to short-term leases	**201**	20
Auditor's remuneration		
– audit services	**1,580**	1,700
– other services	**150**	950

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

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

	2023	2022
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**26,351**	23,364
Over provision in respect of prior years	**(252)**	(988)
	26,099	22,376
Deferred tax		
Origination and reversal of temporary differences	**10,698**	2,272
Total income tax expense in the consolidated statement of profit or loss	**36,797**	24,648

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

(ii) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2023 and 31 December 2022.

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

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

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2023 ***RMB'000***	2022 *RMB'000*
Profit before taxation	**107,637**	76,578
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**27,056**	21,308
Tax effect of non-deductible expenses	**1,673**	919
Tax effect of unused tax losses not recognised	**2,661**	592
Tax effect of prior years' unrecognised temporary differences utilised	**(1,866)**	(2,522)
Recognition of previously unrecognised deductible temporary differences	**(117)**	(282)
Over provision in prior years	**(252)**	(988)
Withholding tax on profits retained by PRC subsidiaries	**7,642**	5,621
Actual tax expense	**36,797**	24,648

7. DIVIDENDS

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

	2023	2022
	RMB'000	*RMB'000*
Final dividend proposed after the reporting date of HK$ Nil (2022: HK$0.026) per share	**–**	10,440

Pursuant to a resolution passed at the annual general meeting held on 19 June 2023, the final dividend proposed after 31 December 2022 of RMB10,440,000 (HK$0.026 per share) attributable to the year 2022 was not approved.

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

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

	2023	2022
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HK$Nil (2022: HK$0.056) per share	**–**	21,895

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB70,842,000 (2022: RMB51,932,000) and the weighted average of 458,600,000 (2022: 458,600,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share was the same as basic earnings per share for the year ended 31 December 2023 and 31 December 2022 as there were no dilutive potential shares during both years.

9. TRADE AND OTHER RECEIVABLES

	Note	2023 RMB'000	2022 RMB'000
Trade receivables		**46,086**	60,656
Prepayments	*i*	**12,904**	12,937
Other receivables		**3,098**	322
		62,088	73,915

(i) Prepayments

The balance of prepayments as at 31 December 2023 mainly represents the prepayment for purchase of natural gas and maintenance service fee.

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

At 31 December 2023, ageing analysis of trade receivables of the Group based on the invoice date is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 month	**45,868**	60,386
After 1 month but within 6 months	**–**	52
After 6 months but within 1 year	**–**	218
After 1 year but within 2 years	**218**	–
	46,086	60,656

10. INTEREST-BEARING BORROWINGS

	Note	**At 31 December 2023** *RMB'000*	At 31 December 2022 *RMB'000*
Unsecured loans from related parties	*i*	**642,607**	675,680
Unsecured bank loans		**72,768**	70,075
		715,375	745,755
Reconciliation to the consolidated statement of financial position:			
Current liabilities		**374,575**	244,755
Non-current liabilities		**340,800**	501,000
		715,375	745,755

(i) Unsecured loans from related parties as at 31 December 2023 represented loans and accrued interest expense from Wanxiang Finance of RMB642,607,000 (31 December 2022: loans and accrued interest expense from Wanxiang Finance of RMB605,680,000 and loans from Shanghai Pu-Xing Energy Limited ("**Shanghai Puxing**") of RMB70,000,000), which borne interest at 3.45% - 3.70% per annum (31 December 2022: 3.70% - 4.75% per annum) and will be repayable from 2024 to 2026.

11. CONSIDERATION PAYABLE

	2023 *RMB'000*	2022 *RMB'000*
Current	**–**	106,655
	–	106,655

According to the share transfer agreement dated 6 May 2020 entered into between Deneng Power Plant, an indirect wholly-owned subsidiary of the Company, and Shanghai Puxing, the then intermediate parent company of the Company (the "**Share Purchase Agreement**"), a final consideration of RMB355.85 million (the "**Final Consideration**") should be paid in four installments in the manner set out in the Share Purchase Agreement and the outstanding Final Consideration bears a fixed interest rate of 5% per annum.

The first payment of RMB50,000,000, the second payment of RMB110,000,000 and the third payment of RMB100,000,000 were fully repaid in October 2020, September 2021, and September 2022 respectively. And the remaining part of RMB95,851,000 with related interest expense were repaid in November 2023 and December 2023 respectively.

12. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**4,682**	795
Salary payable	**4,758**	8,614
Construction payable	**4,835**	4,640
Other taxes payable	**7,418**	7,795
Accrued expenses and other payables	**3,951**	3,059
	25,644	24,903

As at 31 December 2023, the ageing analysis of trade payables of the Group based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**4,682**	795
	4,682	795

13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There is no significant non-adjusting event after the reporting period that need to be disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is mainly engaged in the development, operation and management of natural gas-fired power plants. The Group has five wholly-owned gas-fired power plants in Zhejiang Province, with an aggregate installed capacity of 688.07 megawatt (MW) (2022: 688.07 MW) (including 1,072 kilowatt (kW) (2022: 1,072 kW) photovoltaic power generating units) with a maximum heating capacity per hour of 360 tons (2022: 360 tons).

BUSINESS REVIEW

In 2023, with the efforts of the government of the PRC to keep COVID-19 under strict control and prevention, and with the end of the global COVID-19 pandemic, the social and economic activities have resumed in succession. Meanwhile, affected by the comprehensive impact of social production and power consumption, the overall social power consumption demand in Zhejiang Province remained stable. Based on our own business development and grid power generation scheduling needs, the overall power generation volume of the Group for the year ended 31 December 2023 decreased by 54.95% to 264,361.73 MWh as compared to 586,869.83 MWh in 2022. Meanwhile, with the comprehensive impact of the decrease in power generation volume and the decrease in heat sales volume during the year, the total consumption of natural gas decreased by 51.54% to 68,496,863 m^3 from 141,333,300 m^3 in 2022. The cut in capacity tariff effective from 1 January 2022 has maintained until 2023, resulted in the capacity tariff revenue in 2023 remaining at the same level as in 2022.

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

After adjustment, the capacity tariff of Zhejiang Puxing Bluesky Natural Gas Power Co., Ltd. ("**Bluesky Power Plant**"), Zhejiang Puxing Deneng Natural Gas Power Co., Ltd. ("**Deneng Power Plant**") and Jingxing Power Plant under the Company was adjusted to RMB394.8/kW/year, which remained unchanged as compared to RMB394.8/kW/year of last year; the capacity tariff of Puxing (Anji) Gas Turbine Thermal Power Co., Ltd. ("**Anji Power Plant**") and Quzhou Puxing Gas Turbine Thermal Power Co., Ltd.("**Quzhou Power Plant**") was adjusted to RMB571.2/kW/year, which remained unchanged as compared to RMB571.2/kW/year of last year.

During the year, affected by the end of the COVID-19, the adjustment of natural gas prices, the decline of heat supply and other factors, the number of heat users and demand decreased, the heating price decreased and the overall heat sales volume of the Company decreased. For the year ended 31 December 2023, the Group's heat sales volume decreased by 20.19% to 113,387 tons as compared to 142,073 tons in 2022, and the revenue from sales of heat decreased by 21.52% to RMB44,628,000 as compared to RMB56,869,000 in 2022.

During the year, ZDRC adjusted the volume tariff of natural gas power generating units and gate station price for natural gas (inclusive of value-added tax (VAT)) for several times. After several adjustments during the year, the volume tariff (inclusive of VAT) of Bluesky Power Plant under the Group was adjusted from RMB0.8780/kilowatt hour (kWh) at the beginning of the year to RMB0.7899/kWh at the end of the year, representing a decrease of approximately 10.03%; the volume tariff (inclusive of VAT) of Deneng Power Plant was adjusted from RMB0.8944/kWh at the beginning of the year to RMB0.7047/kWh at the end of the year, representing a decrease of approximately 21.21%; the volume tariff (inclusive of VAT) of Jingxing Power Plant was adjusted from RMB0.9405/kWh at the beginning of the year to RMB0.9028/kWh at the end of the year, representing a decrease of approximately 4.01%; the volume tariff (inclusive of VAT) of Anji Power Plant was adjusted from RMB0.8200/kWh at the beginning of the year to RMB0.7689/kWh at the end of the year, representing a decrease of approximately 6.23%; the volume tariff (inclusive of VAT) of Quzhou Power Plant was adjusted from RMB0.8028/kWh at the beginning of the year to RMB0.7746/kWh at the end of the year, representing a decrease of approximately 3.51%. The price of natural gas (inclusive of VAT) of Bluesky Power Plant under the Group was adjusted from RMB3.8113/m^3 at the beginning of the year to RMB3.4285/m^3 at the end of the year, representing a decrease of approximately 10.04%; the price of natural gas (inclusive of VAT) of Deneng Power Plant was adjusted from RMB3.8825/m^3 at the beginning of the year to RMB3.0587/m^3 at the end of the year, representing a decrease of approximately 21.22%; the price of natural gas (inclusive of VAT) of Jingxing Power Plant was adjusted from RMB4.11/m^3 at the beginning of the year to RMB3.43/m^3 at the end of the year, representing a decrease of approximately 16.55%; the price of natural gas (inclusive of VAT) of Anji Power Plant was adjusted from RMB3.8757/m^3 at the beginning of the year to RMB3.634/m^3 at the end of the year, representing a decrease of approximately 6.24%; the price of natural gas (inclusive of VAT) of Quzhou Power Plant was adjusted from RMB3.7944/m^3 at the beginning of the year to RMB3.6611/m^3 at the end of the year, representing a decrease of approximately 3.51%; the capacity tariff of each power plant (inclusive of VAT) remained unchanged during the year ended 31 December 2023.

Equity Installed Capacity

As at 31 December 2023, the equity installed capacity of power plants held and operated by the Group are as follows:

The total installed capacity of the power generating units in the power plants under the Group was 688.07 MW, with a total equity installed capacity of 688.07 MW and the equity interest proportion of 100%. Among them, the total installed capacity of the power generating units in Bluesky Power Plant was 112.34 MW, with a total equity installed capacity of 112.34 MW and the equity interest proportion of 100%, in which the installed capacity of natural gas power generating units was 112 MW, and the installed capacity of photovoltaic power generating units was 0.34 MW. The total installed capacity of the power generating units in Deneng Power Plant was 112 MW, with a total equity installed capacity of 112 MW and the equity interest proportion of 100%, in which the installed capacity of natural gas power generating units was 112 MW. The total installed capacity of the power generating units in Jingxing Power Plant was 75.22 MW, with a total equity installed capacity of 75.22 MW and the equity interest proportion of 100%, in which the installed capacity of natural gas power generating units was 75 MW, and the installed capacity of photovoltaic power generating units was 0.22 MW. The total installed capacity of the power generating units in Anji Power Plant was 158.36 MW, with a total equity installed capacity of 158.36 MW and the equity interest proportion of 100%, in which the installed capacity of natural gas power generating units was 158 MW, and the installed capacity of photovoltaic power generating units was 0.36 MW. The total installed capacity of the power generating units in Quzhou Power Plant was 230.15 MW, with a total equity installed capacity of 230.15 MW and the equity interest proportion of 100%, in which the installed capacity of natural gas power generating units was 230 MW, and the installed capacity of photovoltaic power generating units was 0.15 MW.

Production Volume

Natural Gas Power Generation

In order to cooperate with the trial implementation of the Dual Tariff Policy in Zhejiang Province, the relevant government authorities have organised the 2023 production plan for natural gas power generating units based on the peak demand within the power grid. Affected by the end of COVID-19 and the adjustment to the overall electricity procurement demand of Zhejiang Province in 2023, the production volume by natural gas of the Group for the year ended 31 December 2023 decreased by 322,508.10 MWh or 54.95% to 264,361.73 MWh as compared to 586,869.83 MWh in 2022 under the condition of meeting the peak demand of the power grid.

Photovoltaic Power Generation

For the year ended 31 December 2023, the Group's installed capacity of photovoltaic generating units was 1,072 kW (2022: 1,072 kW), the electricity generated is mainly used to supplement the auxiliary power consumption rate of the power plants, and the remainder will be sold to the power grid.

For the year ended 31 December 2023, photovoltaics production volume of the Group was approximately 1,135 MWh (2022: approximately 777 MWh), of which approximately 113 MWh (2022: approximately 116 MWh) was sold to the power grid.

During the year, the Group saved power consumption cost of RMB618,600 (2022: RMB389,700) through photovoltaic power generation and realised a revenue of RMB67,400 (2022: RMB147,400).

Heat Sales Volume

The Anji Power Plant and Quzhou Power Plant under the Group provide steam to manufacturers near heating pipelines. The maximum hourly heating capacity is approximately 360 tons (2022: 360 tons).

During the year, affected by the end of the COVID-19, the adjustment of natural gas prices, the decline of heat supply and other factors, the number of heat users and demand decreased, the heating price decreased and the overall heat sales volume of the Company decreased. The Group's heat sales volume for the year ended 31 December 2023 decreased by 20.19% to 113,387 tons as compared to 142,073 tons in 2022; the revenue from sales of heat decreased by 21.52% to RMB44,628,000 as compared to RMB56,869,000 in 2022. The average selling price (inclusive of VAT) decreased by 1.67% to approximately RMB429.01/ton as compared to approximately RMB436.31/ton in 2022.

The revenue from sales of heat of the Group for the year ended 31 December 2023 was RMB44,628,000 (2022: RMB56,869,000).

Fuel Cost and Natural Gas Usage

All power plants under the Group use natural gas as fuel for power generation, while Anji Power Plant and Quzhou Power Plant under the Group also use natural gas as fuel for heating at the same time. Natural gas is the only source of fuel for the Group and is mainly provided by the suppliers of the Group, namely Zhejiang Zheneng Natural Gas Trading Co., Ltd. (浙江浙能天然氣貿易有限公司), PetroChina Company Limited Zhejiang Sale Branch (中國石油天然氣股份有限公司天然氣銷售浙江分公司), and PipeChina Zhejiang Provincial Natural Gas Pipeline Network Co., Ltd. (國家管網集團浙江省天然氣管網有限公司). During the year, under the organisation of the Energy Bureau in Zhejiang Province, all power plants under the Group signed a special contract for natural gas sales with several natural gas suppliers.

The natural gas price in Zhejiang Province is determined by ZDRC. According to the adjustment of natural gas price made by ZDRC during the year, the price of natural gas (inclusive of VAT) of Bluesky Power Plant under the Group was adjusted from RMB3.8113/m^3 at the beginning of the year to RMB3.4285/m^3 at the end of the year, representing a decrease of approximately 10.04%; the price of natural gas (inclusive of VAT) of Deneng Power Plant was adjusted from RMB3.8825/m^3 at the beginning of the year to RMB3.0587/m^3 at the end of the year, representing a decrease of approximately 21.22%; the price of natural gas (inclusive of VAT) of Jingxing Power Plant was adjusted from RMB4.11/m^3 at the beginning of the year to RMB3.43/m^3 at the end of the year, representing a decrease of approximately 16.55%; the price of natural gas (inclusive of VAT) of Anji Power Plant was adjusted from RMB3.8757/m^3 at the beginning of the year to RMB3.634/m^3 at the end of the year, representing a decrease of approximately 6.24%; the price of natural gas (inclusive of VAT) of Quzhou Power Plant was adjusted from RMB3.7944/m^3 at the beginning of the year to RMB3.6611/m^3 at the end of the year, representing a decrease of approximately 3.51%.

For the year ended 31 December 2023, fuel costs amounted to RMB211,665,000, representing a decrease of 54.90% as compared to RMB469,318,000 in 2022.

FINANCIAL REVIEW

The net profit attributable to equity shareholders of the Company for the year ended 31 December 2023 was RMB70,842,000, representing an increase of RMB18,910,000 or 36.41%, as compared to RMB51,932,000 in 2022. For the year ended 31 December 2023, the basic and diluted earnings per share of the Company amounted to RMB0.154, representing an increase of RMB0.041 or 36.28% as compared to RMB0.113 in 2022.

Revenue

Revenue of the Group comprises volume tariff revenue, capacity tariff revenue, revenue from sales of heat and revenue from provision of operation and maintenance services. Based on the own business development of the Group and grid power generation scheduling needs, the electricity sales volume, the heat supply and heating prices decreased in 2023. Revenue of the Group for the year ended 31 December 2023 amounted to RMB513,510,000, representing a decrease of RMB239,797,000 or 31.83% as compared to RMB753,307,000 in 2022.

Operating Expenses

During the year, the Group's operating expenses mainly comprised fuel consumption, depreciation and amortisation, repairs and maintenance, staff costs, administrative expenses, sales related taxes and other operating expenses. For the year ended 31 December 2023, the Group's operating expenses were RMB372,738,000, representing a decrease of RMB261,008,000 or 41.18% as compared to RMB633,746,000 in 2022. The decrease in operating expenses was mainly due to the decrease in fuel costs along with the production volume.

Profit from Operations

Affected by a decrease in fuel costs, and a decrease in power generation costs caused by the decrease in power generation, the profit from operations of the Group for the year ended 31 December 2023 was RMB140,772,000, representing an increase of RMB21,211,000 or 17.74% as compared to RMB119,561,000 in 2022.

Finance Costs

For the year ended 31 December 2023, net finance costs of the Group amounted to RMB36,878,000, representing a decrease of RMB9,682,000 or 20.79% as compared to RMB46,560,000 in 2022. The decrease in net financial costs was mainly due to the reasonable arrangement of funds, repayment of borrowings due within the year and the decrease in borrowing rates, resulting in a decrease in interest expenses during the year.

Income Tax

Pursuant to the Corporate Income Tax Law of the PRC, the Group's subsidiaries in the PRC are subject to the unified tax rate of 25%. For the year ended 31 December 2023, income tax expenses of the Group amounted to RMB36,797,000, representing an increase of RMB12,149,000 or 49.29% as compared to RMB24,648,000 in 2022. The increase in income tax for the year was mainly due to an increase in profit from operations.

Earnings per Share

For the year ended 31 December 2023, net profit attributable to equity shareholders of the Company amounted to RMB70,842,000 (2022: RMB51,932,000). The basic and diluted earnings per share amounted to RMB0.154, representing an increase of RMB0.041 or 36.28% as compared to RMB0.113 in 2022.

Major Acquisitions, Disposals and Major Investment Activities

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

Liquidity and Financial Resources

Cash and cash equivalents of the Group are denominated in Renminbi (RMB) and Hong Kong Dollar (HKD). As at 31 December 2023, cash and cash equivalents of the Group amounted to RMB130,719,000 (31 December 2022: RMB89,431,000).

As at 31 December 2023, the Group had current assets of RMB251,272,000 (31 December 2022: RMB221,946,000), current liabilities of RMB536,271,000 (31 December 2022: RMB504,796,000) and net current liabilities of RMB284,999,000 (31 December 2022: RMB282,850,000) with a current ratio of 0.47 (31 December 2022: 0.44). The increase in current ratio was mainly attributable to an increase in cash and cash equivalents, resulting in an increase in current assets.

As at 31 December 2023, the Groups had unused revolving loan credit facilities granted by Wanxiang Finance Co., Ltd. ("**Wanxiang Finance**"), a subsidiary of Wanxiang Group Corporation ("**Wanxiang Group**"), of RMB157 million (2022: RMB194 million).

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

Debts

All the debts of the Group are denominated in RMB and HKD. As at 31 December 2023, the Group had total debts of RMB828,337,000 (31 December 2022: RMB959,187,000), including shareholder's loan of RMB112,866,000 (2022: RMB106,506,000), lease liabilities of RMB96,000 (2022: RMB271,000), unsecured bank loans guaranteed by related parties of RMB72,768,000 (2022: RMB70,075,000), and unsecured loans from related parties of RMB642,607,000 (2022: RMB675,680,000). Among them, unsecured bank loans guaranteed by related parties and unsecured loans from related parties were denominated in RMB and subject to adjustment in accordance with relevant regulations of the People's Bank of China. The interest rate of unsecured bank loans guaranteed by related parties was adjusted to 3.5% (2022: 3.5%) per annum, and the interest rate of unsecured loans from related parties was adjusted to 3.45% to 3.7% (2022: 3.7% to 4.75%) per annum.

Regarding the overdue principal amount of a loan advanced by Puxing International Limited (the controlling shareholder of the Company) ("**Puxing International**") to the Company pursuant to a loan agreement dated 31 December 2017 together with the interest thereon (the "**Outstanding Amount**"), the Company is actively negotiating with Puxing International on an extension for the repayment of the Outstanding Amount. At the same time, the Company will explore other possible fund raising options, including but not limited to, debt and/or equity fund raising or disposal of its assets to repay the Outstanding Amount. Please refer to the announcement of the Company dated on 31 May 2023.

Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including interest-bearing borrowings, shareholder's loan, consideration payable and lease liabilities, as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity attributable to equity shareholders of the Company (as shown in the consolidated statement of financial position) plus net debt. As at 31 December 2023, the Group's gearing ratio was 46.09% (31 December 2022: 53.87%).

Capital Expenditures

For the year ended 31 December 2023, the Group invested RMB5,571,000 (2022: RMB9,390,000) mainly for the construction of the heat grid construction of Anji Power Plant, as well as the costs of technological renovation and maintenance of equipment.

Capital Commitments

As at 31 December 2023, the Group had capital commitments of RMB275,655,000 (31 December 2022: RMB57,641,000) mainly for the construction of new energy storage power station project of Bluesky Power Plant, the heat grid (phase II) of Anji Power Plant and the technological renovation and maintenance of power generation units.

Pledge of Assets

As at 31 December 2023 and 2022, the Group had no assets pledged.

Contingent Liabilities

As at 31 December 2023 and 2022, the Group had no material contingent liability.

Exchange Rate Risk

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

Employees and Remuneration Policy

As at 31 December 2023, the Group had a total of 266 employees, excluding 2 trainees (31 December 2022: 290 employees, excluding 0 trainee). For the year ended 31 December 2023, total employees' remuneration (including Directors' remuneration and benefits) was RMB27,329,000 (2022: RMB27,693,000). The Group determines employees' remuneration according to industry practices, financial performance and employees' performance. In addition, the Group provides employees with training and benefits, such as insurance, medical benefits and mandatory provident fund contributions, with an aim to retain talents of all levels for further contribution to the Group.

Prospects

2024 will be a challenging year for Puxing Energy. The cut in capacity tariff in Zhejiang Province has brought a severe test to the profitability of Puxing Energy. The Group will closely follow the development of the electricity market, actively study and explore new forms of business models, strive to find new market convergence points, strengthen the development of heating business, and strengthen cost management, cooperate with the continuous implementation of refined management and strict cost control, actively face challenges, so as to minimise the impact of policy changes.

Looking ahead, the government of PRC's firm commitment to the "double carbon" goal of peaking carbon emission and achieving carbon neutrality, firm acceleration in the development of new energy, optimisation of its energy structure, and embarkation on a green, low-carbon and circular development path. The fields of green power, energy storage, and smart energy will usher in a period of significant opportunities for development, which will bring huge opportunities for the Group for transforming into an integrated energy supplier. As an energy company with energy as its development core, with the goal of transforming into an integrated energy supplier and achieving diversified development of its energy business, the Group will increase research on national new energy policies, strive to find new opportunities, strive for different types of energy projects, diversify its energy business structure, and make unremitting efforts to enhance the Group's long-term growth potential and shareholder value.

FINAL DIVIDEND

On 31 March 2023, the Board has resolved to declare a final dividend of HK$0.026 per share of the Company to the shareholders, but the resolution to declare a final dividend was not approved by shareholders at the annual general meeting held on 19 June 2023. Therefore, no final dividend has been paid to shareholders for the year ended 31 December 2022.

Due to the relatively high gearing ratio of the Group and the need to reserve funds to repay debts to reduce financial expenses, improve the value of the Company and shareholder returns in the long-term, the Board has resolved on 28 March 2024 not to declare a final dividend for the year ended 31 December 2023.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The Company will announce the date of the AGM and the period of closure of register of members in due course.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Board has been adamant in upholding high standards of corporate governance to maximise operational efficiency, corporate values and Shareholders' returns. The Company has adopted and applied the principles of the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules. The Company will continue to upgrade its internal control system, strengthen its risk management and reinforce its corporate governance structure.

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the CG Code throughout the year ended 31 December 2023, except for the temporary failure to meet the requirements for a short period of time of C.6.4 of the CG Code and Rules 3.05 and 3.28 of the Listing Rules as set out below:

On 17 February 2023, Mr. Lai Chi Fung ceased to be (i) the company secretary of the Company (the "**Company Secretary**"); and (ii) an authorised representative of the Company (the "**Authorised Representative**") under Rule 3.05 of the Listing Rules. As a result, the Company temporarily failed to comply with the requirements as set out in C.6.4 of the CG Code and Rules 3.05 and 3.28 of the Listing Rules.

On 13 September 2023, Mr. Wei Junyong has been appointed as an Authorised Representative. Following with Mr. Wei Junyong's appointment, the Company restored to comply with the requirement under Rule 3.05 of the Listing Rules, which stipulates that every listed issuer shall appoint two authorised representatives who shall act at all times as the listed issuer's principal channel of communication with the Stock Exchange.

On 14 December 2023, Mr. Chung Ming Fai has been appointed as the Company Secretary. Following with Mr. Chung Ming Fai's appointment, the Company restored to comply with the requirements of C.6.4 of the CG Code and Rule 3.28 of the Listing Rules, which respectively stipulate that (i) all directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed; and (ii) a listed issuer must appoint as its company secretary an individual who, in the opinion of the Stock Exchange, is capable of discharging the functions of company secretary of the listed issuer by virtue of his/her academic or professional qualifications or relevant experience.

COMPLIANCE WITH THE CODE OF CONDUCT BY DIRECTORS

The Company adopted a code of conduct (the "**Code of Conduct**") regarding the securities transactions of the Directors and relevant employees (as defined in code provision C.1.3 in Part 2 of the CG Code) on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry to all Directors regarding the compliance with the Code of Conduct. All Directors confirmed that they have complied with the required standard set out in the Code of Conduct throughout the year ended 31 December 2023.

IMPORTANT EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2023, on 4 March 2024, (i) Mr. Guan Dayuan was appointed as an executive Director and the chairman of the Board, (ii) Mr. Xu Anliang ceased to be the chairman of the Board and resigned as an executive Director due to retirement; (iii) Mr. Yuan Feng was appointed as a non-executive Director of the Company. For further details, please refer to the Company's announcements dated 4 March 2024 and 5 March 2024.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. Tse Chi Man, Mr. Yao Xianguo and Mr. Yu Wayne W. Mr. Tse Chi Man is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2023. The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Company and the consolidated financial statements for the year ended 31 December 2023. The Audit Committee considers that the annual results are in accordance with applicable accounting standards, laws, and regulations, and the Company has made appropriate disclosures in this regard.

SCOPE OF WORK OF KPMG ON THIS PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been compared by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (www.puxing-energy.com) and the Stock Exchange's website (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules shall be despatched to the Shareholders and made available on the aforesaid websites in due course.

By order of the Board
Puxing Energy Limited
Guan Dayuan
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises six directors, of whom two are executive directors, namely Mr. Guan Dayuan and Mr. Wei Junyong; one is non-executive director, namely Mr. Yuan Feng; and three are independent non-executive directors, namely Mr. Tse Chi Man, Mr. Yao Xianguo and Mr. Yu Wayne W.