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PUXING ENERGY LIMITED
普星能量有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 90)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS			
	For the year ended		
	31 December		
	2022	2021	
	RMB'000	RMB'000	Change
Revenue	753,307	601,573	+25.22%
Profit from operations	119,561	202,538	-40.97%
Net profit attributable to equity shareholders of the Company	51,932	103,825	-49.98%
Basic Earnings per share	RMB0.113	RMB0.226	-50.00%
Dividend per share			
– Interim	Nil	Nil	0%
– Proposed final	HK\$0.026	HK\$0.056	-53.57%
	At 31 December		
	RMB'000	RMB'000	Change
Total assets	1,779,710	1,858,347	-4.23%
Total equity attributable to equity shareholders of the Company	744,885	718,866	+3.62%
Net asset value per share ¹	RMB1.62	RMB1.57	+3.18%
Net debt²	869,756	942,860	-7.75%
Total capital ³	1,614,641	1,661,726	-2.83%
Gearing ratio ⁴	53.87%	56.74%	-2.87%

Notes:

1.
$$\frac{\text{Total equity attributable to equity shareholders of the Company}}{\text{Number of ordinary shares in issue}}$$
2. Total debts (including interest-bearing borrowings, consideration payable, shareholder's loan and lease liabilities) – Cash and cash equivalents
3. Total equity attributable to equity shareholders of the Company + Net debt
4.
$$\frac{\text{Net debt}}{\text{Total Capital}}$$

The board (the “**Board**”) of directors (the “**Directors**”) of Puxing Energy Limited (the “**Company**” or “**Puxing Energy**”) announces the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	4	<u>753,307</u>	<u>601,573</u>
Operating expenses			
Fuel consumption		(469,318)	(228,361)
Depreciation and amortisation		(87,922)	(88,097)
Repairs and maintenance		(15,514)	(14,238)
Personnel costs	5(b)	(27,693)	(37,484)
Administrative expenses		(22,201)	(21,322)
Sales related taxes		(4,868)	(6,055)
Other operating expenses		<u>(6,230)</u>	<u>(3,478)</u>
Profit from operations		119,561	202,538
Finance income		583	367
Finance expenses		<u>(47,143)</u>	<u>(53,782)</u>
Net finance costs	5(a)	(46,560)	(53,415)
Other income		<u>3,577</u>	<u>5,068</u>

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Profit before taxation	5	76,578	154,191
Income tax	6	<u>(24,648)</u>	<u>(50,399)</u>
Profit for the year		<u>51,930</u>	<u>103,792</u>
Attributable to:			
Equity shareholders of the Company		51,932	103,825
Non-controlling interests		<u>(2)</u>	<u>(33)</u>
Profit for the year		<u>51,930</u>	<u>103,792</u>
Earnings per share			
Basic (<i>RMB</i>)	8(a)	<u>0.113</u>	<u>0.226</u>
Diluted (<i>RMB</i>)	8(b)	<u>0.113</u>	<u>0.226</u>

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

For the year ended 31 December 2022

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	51,930	103,792
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	14,516	(5,872)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(18,534)	7,591
Total comprehensive income for the year	47,912	105,511
Attributable to:		
Equity shareholders of the Company	47,914	105,544
Non-controlling interests	(2)	(33)
Total comprehensive income for the year	47,912	105,511

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,534,073	1,614,923
Intangible assets		2,135	384
Deferred tax assets		8,920	5,923
Other non-current assets		12,636	8,424
		<u>1,557,764</u>	<u>1,629,654</u>
Current assets			
Inventories		58,600	58,851
Trade and other receivables	9	73,915	93,755
Cash and cash equivalents		89,431	76,087
		<u>221,946</u>	<u>228,693</u>
Current liabilities			
Shareholder's loan		106,506	93,138
Interest-bearing borrowings	10	244,755	286,438
Consideration payable	11	106,655	106,226
Trade and other payables	12	24,903	49,872
Lease liabilities		175	247
Current taxation		21,802	29,382
		<u>504,796</u>	<u>565,303</u>
Net current liabilities		<u>(282,850)</u>	<u>(336,610)</u>
Total assets less current liabilities		<u>1,274,914</u>	<u>1,293,044</u>

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current liabilities			
Interest-bearing borrowings	<i>10</i>	501,000	431,000
Consideration payable	<i>11</i>	–	101,819
Lease liabilities		96	79
Deferred revenue		11,094	11,494
Deferred tax liabilities		17,854	29,799
		<u>530,044</u>	<u>574,191</u>
NET ASSETS		<u>744,870</u>	<u>718,853</u>
CAPITAL AND RESERVES			
Share capital		40,149	40,149
Reserves		704,736	678,717
Total equity attributable to equity shareholders of the Company		744,885	718,866
Non-controlling interests		<u>(15)</u>	<u>(13)</u>
TOTAL EQUITY		<u>744,870</u>	<u>718,853</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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**”). Significant accounting policies adopted by the Group are disclosed below.

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

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2022 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 2022, the Group had net current liabilities of RMB282,850,000 (31 December 2021: RMB336,610,000). 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 RMB194.3 million as at 1 January 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

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

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

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

Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

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 monthly basis.

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

(i) **Disaggregation of revenue**

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
Electricity:		
Volume tariff revenue	395,678	188,802
Capacity tariff revenue	300,595	357,849
	696,273	546,651
Heat:		
Revenue from sales of heat	56,869	53,650
Service:		
Revenue from provision of operation and maintenance services	165	1,272
	753,307	601,573

The Group's customer base is concentrated and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2022, volume tariff revenue and capacity tariff revenue from this customer (including its subsidiaries) amounted to RMB696,273,000 (2021: RMB546,651,000).

5. PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income	<u>(583)</u>	<u>(367)</u>
Finance income	<u>(583)</u>	<u>(367)</u>
Interest on interest-bearing borrowings, consideration payable and shareholder's loan	42,688	53,543
Interest on lease liabilities	<u>15</u>	<u>201</u>
Total interest expense recognised in profit or loss	42,703	53,744
Bank charges	39	38
Net foreign exchange loss	<u>4,401</u>	<u>–</u>
Finance expenses	<u>47,143</u>	<u>53,782</u>
Net finance costs	<u><u>46,560</u></u>	<u><u>53,415</u></u>

(b) Personnel costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Wages, salaries and other benefits	25,192	35,013
Contribution to defined contribution plans	<u>2,501</u>	<u>2,471</u>
	<u><u>27,693</u></u>	<u><u>37,484</u></u>

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.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees employed by the Group in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

(c) **Other items**

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Net loss on disposal of property, plant and equipment	481	1,521
Depreciation charge		
– Owned property, plant and equipment	85,112	84,124
– Right-of-use assets – land use rights	1,698	1,698
– Right-of-use assets – other properties	326	1,593
Amortisation		
– Intangible assets	786	682
Expense relating to short-term leases	20	45
Auditor’s remuneration		
– audit services	1,700	1,650
– other services	950	143
	<u>950</u>	<u>143</u>

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

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

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Current tax		
PRC Corporate Income Tax	23,364	38,224
(Over)/under-provision in respect of prior years	(988)	1,889
	<u>22,376</u>	<u>40,113</u>
Deferred tax		
Origination and reversal of temporary differences	2,272	10,286
	<u>2,272</u>	<u>10,286</u>
Total income tax expense in the consolidated statement of profit or loss	<u>24,648</u>	<u>50,399</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2022 and 31 December 2021.
- (iii) The provision for PRC Corporate Income Tax is based on the respective Corporate Income Tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

According to the Corporate Income Tax Law of 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.

7. DIVIDENDS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend proposed after the reporting date of HK\$0.026 (2021: HK\$0.056) per share	<u><u>10,440</u></u>	<u><u>20,858</u></u>

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.056 (2021: HK\$0.10) per share	<u><u>21,895</u></u>	<u><u>37,873</u></u>

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB51,932,000 (2021: RMB103,825,000) and the weighted average of 458,600,000 (2021: 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 2022 and 31 December 2021 as there were no dilutive potential shares during both years.

9. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		60,656	90,859
Prepayments	<i>i</i>	12,937	1,220
Other receivables		322	1,676
		<u>73,915</u>	<u>93,755</u>

(i) Prepayments

The balance of prepayments as at 31 December 2022 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 2022, ageing analysis of trade receivables of the Group based on the invoice date is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	60,386	90,397
After 1 month but within 6 months	52	462
After 6 months but within one year	218	–
	<u>60,656</u>	<u>90,859</u>

10. INTEREST-BEARING BORROWINGS

		At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
	<i>Note</i>		
Unsecured loans from related parties	<i>i</i>	675,680	531,421
Unsecured bank loans guaranteed by related parties		–	115,924
Unsecured bank loans		<u>70,075</u>	<u>70,093</u>
		<u>745,755</u>	<u>717,438</u>
Reconciliation to the consolidated statement of financial position:			
Current liabilities		244,755	286,438
Non-current liabilities		<u>501,000</u>	<u>431,000</u>
		<u>745,755</u>	<u>717,438</u>

- (i) Unsecured loans from related parties as at 31 December 2022 represented loans and accrued interest expense from Wanxiang Finance of RMB605,680,000 (31 December 2021: RMB461,421,000) and loans from Shanghai Pu-Xing Energy Limited (“**Shanghai Puxing**”) of RMB70,000,000 (31 December 2021: RMB70,000,000), which borne interest at 3.70% - 4.75% per annum (31 December 2021: 4.4805% - 4.8925% per annum).

11. CONSIDERATION PAYABLE

	2022 RMB'000	2021 RMB'000
Current	106,655	106,226
Non-current	<u>–</u>	<u>101,819</u>
	<u>106,655</u>	<u>208,045</u>

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 parts of RMB95,851,000 with related interest expense will be repayable in October 2023.

12. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	795	5,453
Salary payable	8,614	14,384
Construction payable	4,640	6,366
Other taxes payable	7,795	21,574
Accrued expenses and other payables	<u>3,059</u>	<u>2,095</u>
	<u>24,903</u>	<u>49,872</u>

As at 31 December 2022, the ageing analysis of trade payables of the Group based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	<u>795</u>	<u>5,453</u>
	<u>795</u>	<u>5,453</u>

13 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (i) After the reporting date, the Directors proposed a final dividend on 31 March 2023. Further details are disclosed in note 7(i).

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) (2021: 687.73MW) (including 1,072 kilowatt (kW) (2021: 731kW) photovoltaic power generating units) with a maximum heating capacity per hour of 360 tons (2021: 360 tons).

BUSINESS REVIEW

In 2022, COVID-19 swept the world continuously. With the efforts of the government of the PRC to keep COVID-19 under strict control and prevention, the social and economic activities have resumed rapidly. Meanwhile, affected by the nationwide high temperature, the overall power consumption demand in Zhejiang Province increased significantly. The overall power generation volume of the Group for the year ended 31 December 2022 increased by 53.14% to 586,869.83 MWh as compared to 383,230.24 MWh in 2021. Meanwhile, with the comprehensive impact of the increase in power generation volume and the decrease in heat sales volume during the year, the total consumption of natural gas increased by 37.53% to 141,333,300 m³ from 102,768,108 m³ in 2021. The cut in capacity tariff effective from 1 January 2022 has resulted in a decrease of approximately RMB57.3 million in the Group's capacity tariff revenue for the year ended 31 December 2022 as compared to the same period of last year.

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, representing a decrease of 16% as compared to RMB470/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, representing a decrease of 16% as compared to RMB680/kW/year of last year.

During the year, affected by the COVID-19 and the rise in natural gas prices, the heating price increased and the heat sales volume of the Company decreased. For the year ended 31 December 2022, the Group's heat sales volume decreased by 18.25% to 142,073 tons as compared to 173,791 tons in 2021, and the revenue from sales of heat increased by 6.00% to RMB56,869,000 as compared to RMB53,650,000 in 2021, the contribution margin ratio (calculated based on revenue from sales of heat minus variable costs associated with the heating production) decreased by 11.80 percentage points to 15.12% as compared to 26.92% in 2021. Due to the decrease in heat sales volume, the consumption of natural gas for heating decreased 21.41% to 12,570,728 m³ as compared to 15,996,278 m³ in 2021.

During the year, Zhejiang Province Development and Reform Commission (the "ZDRC") adjusted the volume tariff of natural gas power generating units and gate station price for natural gas (inclusive of 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 RMB0.7027/kilowatt hour (kWh) at the beginning of the year to RMB0.8780/kWh at the end of the year, representing an increase of approximately 24.95%; the volume tariff (inclusive of VAT) of Deneng Power Plant was adjusted from RMB0.7027/kWh at the beginning of the year to RMB0.8944/kWh at the end of the year, representing an increase of approximately 27.28%; the volume tariff (inclusive of VAT) of Jingxing Power Plant was maintained at RMB0.9405/kWh throughout the year; the volume tariff (inclusive of VAT) of Anji Power Plant was adjusted from RMB0.6453/kWh at the beginning of the year to RMB0.8200/kWh at the end of the year, representing an increase of approximately 27.07%; the volume tariff (inclusive of VAT) of Quzhou Power Plant was adjusted from RMB0.6453/kWh at the beginning of the year to RMB0.8028/kWh at the end of the year, representing an increase of approximately 24.41%. The price of natural gas (inclusive of VAT) of Bluesky Power Plant under the Group was adjusted from RMB3.05/m³ at the beginning of the year to RMB3.8113/m³ at the end of the year, representing an increase of approximately 24.96%; the price of natural gas (inclusive of VAT) of Deneng Power Plant was adjusted from RMB3.05/m³ at the beginning of the year to RMB3.8825/m³ at the end of the year, representing an increase of approximately 27.30%; the price of natural gas (inclusive of VAT) of Jingxing Power Plant was maintained at RMB4.11/m³ throughout the year; the price of natural gas (inclusive of VAT) of Anji Power Plant was adjusted from RMB3.05/m³ at the beginning of the year to RMB3.8757/m³ at the end of the year, representing an increase of approximately 27.07%; the price of natural gas (inclusive of VAT) of Quzhou Power Plant was adjusted from RMB3.05/m³ at the beginning of the year to RMB3.7944/m³ at the end of the year, representing an increase of approximately 24.41%; the capacity tariff of each power plant (inclusive of VAT) remained unchanged during the year ended 31 December 2022.

Equity Installed Capacity

As at 31 December 2022, the equity installed capacity of power plants held and operated by the Group are as follows:

Power plant	Category	Installed capacity (MW)	Equity interest (%)	Equity installed capacity (MW)
Bluesky Power Plant	Natural gas	112	100	112
	Photovoltaics	0.34	100	0.34
Deneng Power Plant	Natural gas	112	100	112
Jingxing Power Plant	Natural gas	75	100	75
	Photovoltaics	0.22	100	0.22
Anji Power Plant	Natural gas	158	100	158
	Photovoltaics	0.36	100	0.36
Quzhou Power Plant	Natural gas	230	100	230
	Photovoltaics	0.15	100	0.15
Total		688.07	100	688.07

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 2022 production plan for natural gas power generating units based on the peak demand within the power grid. Affected by the COVID-19 and the adjustment to the overall electricity procurement demand of Zhejiang Province in 2022, the production volume by natural gas of the Group for the year ended 31 December 2022 increased by 53.14% to 586,869.83MWh (equivalent to approximately 854.3 hours of full load power generation) as compared to 383,230.24MWh (equivalent to approximately 557.8 hours of full load power generation) in 2021 under the condition of meeting the peak demand of the power grid.

Photovoltaic Power Generation

In 2022, the Bluesky Power Plant under the Group completed rooftop photovoltaic renovation, increasing the installed capacity of photovoltaic generating units by 341 kW. The Group's installed capacity of photovoltaic generating units was 1,072kW (2021: 731 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 2022, photovoltaics production volume of the Group was approximately 777MWh (2021: approximately 791MWh), of which approximately 116MWh (2021: approximately 100MWh) was sold to the power grid.

During the year, the Group saved power consumption cost of RMB389,700 (2021: RMB348,000) through photovoltaic power generation and realised a revenue of RMB147,400 (2021: RMB137,500).

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 (2021: 360 tons).

During the year, affected by the COVID-19 and the rise in natural gas prices, the heating price increased and the heat sales volume of the Company decreased. The Group's heat sales volume for the year ended 31 December 2022 decreased by 18.25% to 142,073 tons as compared to 173,791 tons in 2021; the average selling price (inclusive of VAT) increased by 29.67% to approximately RMB436.31/ton as compared to approximately RMB336.48/ton in 2021.

The revenue and contribution margin from sales of heat of the Group for the year ended 31 December 2022 were RMB56,869,000 (2021: RMB53,650,000) and RMB8,598,000 (2021: RMB14,444,000), respectively. The contribution margin ratio for sales of heat was 15.12% (2021: 26.92%), representing a decrease of 11.80 percentage points as compared to 2021, which was mainly due to the increase in the cost of selling heat was significantly greater than the increase in the revenue from sales of heat.

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 Energy and Natural Gas Group Co., Ltd. (浙江能源天然氣集團有限公司) and PetroChina Company Limited Zhejiang Sale Branch. During the year, under the organisation of the Energy Bureau in Zhejiang Province, the power plants under the Group (except Jingxing Power Plant) signed a special contract for natural gas sales from April 2022 to October 2022 with PetroChina Company Limited Zhejiang Sale Branch, with a total contract volume of 134.00 million m³, and the unit price of natural gas (inclusive of VAT) was RMB2.7405/m³.

The natural gas price in Zhejiang Province is determined by ZDRC. According to the adjustment of natural gas price made by ZDRC during the year, the price of natural gas (inclusive of VAT) of Bluesky Power Plant under the Group was adjusted from RMB3.05/m³ at the beginning of the year to RMB3.8113/m³ at the end of the year, representing an increase of approximately 24.96%; the price of natural gas (inclusive of VAT) of Deneng Power Plant was adjusted from RMB3.05/m³ at the beginning of the year to RMB3.8825/m³ at the end of the year, representing an increase of approximately 27.30%; the price of natural gas (inclusive of VAT) of Jingxing Power Plant was maintained at RMB4.11/m³ throughout the year; the price of natural gas (inclusive of VAT) of Anji Power Plant was adjusted from RMB3.05/m³ at the beginning of the year to RMB3.8757/m³ at the end of the year, representing an increase of approximately 27.07%; the price of natural gas (inclusive of VAT) of Quzhou Power Plant was adjusted from RMB3.05/m³ at the beginning of the year to RMB3.7944/m³ at the end of the year, representing an increase of approximately 24.41%.

The Group's total consumption of natural gas for the year ended 31 December 2022 was 141,333,300 m³ (including 12,570,728 m³ for heating), representing an increase of 37.53% as compared to 102,768,108 m³ (including 15,996,278 m³ for heating) in 2021. The Group's average unit fuel cost for power generation was approximately RMB725.84/MWh (2021: approximately RMB504.36/MWh), representing an increase of 43.91% as compared to 2021. The average unit fuel cost of heating was approximately RMB291.74/ton (2021: approximately RMB201.80/ton), representing an increase of 44.54% as compared to 2021. The increase in the average unit fuel cost of heating was mainly due to the increase in energy prices such as natural gas during the year.

For the year ended 31 December 2022, fuel costs amounted to RMB469,318,000, representing an increase of 105.52% as compared to RMB228,361,000 in 2021. Fuel costs accounted for 103.74% of the related revenue (i.e., volume tariff revenue (excluding revenue from photovoltaic power generation) and revenue from sales of heat), representing an increase of 9.50 percentage points as compared to 94.24% in 2021. Such increase was mainly due to the increase in energy prices such as natural gas.

FINANCIAL REVIEW

The net profit attributable to equity shareholders of the Company for the year ended 31 December 2022 was RMB51,932,000, representing a decrease of RMB51,893,000 or 49.98%, as compared to RMB103,825,000 in 2021. For the year ended 31 December 2022, the basic and diluted earnings per share of the Company amounted to RMB0.113, representing a decrease of 50.00% as compared to RMB0.226 in 2021.

Revenue

Revenue of the Group comprises volume tariff revenue, capacity tariff revenue, revenue from sales of heat and revenue from provision of operation and maintenance services. Benefiting from the increase in production volume and heating prices of the Group while the capacity tariff decreased as compared to 2021, revenue of the Group for the year ended 31 December 2022 amounted to RMB753,307,000, representing an increase of RMB151,734,000 or 25.22% as compared to RMB601,573,000 in 2021.

Operating Expenses

During the year, the Group's operating expenses mainly comprised fuel consumption, depreciation and amortisation, staff costs and administrative expenses. For the year ended 31 December 2022, the Group's operating expenses were RMB633,746,000, representing an increase of RMB234,711,000 or 58.82% as compared to RMB399,035,000 in 2021. The increase in operating expenses was mainly due to the increase in fuel costs along with the production volume.

Profit from Operations

Affected by the increase in fuel costs and power generation costs inversion, the Group's profit from operations for the year ended 31 December 2022 was RMB119,561,000, representing a decrease of RMB82,977,000 or 40.97% as compared to RMB202,538,000 in 2021.

Finance Costs

For the year ended 31 December 2022, net finance costs of the Group amounted to RMB46,560,000, representing a decrease of RMB6,855,000 or 12.83% as compared to RMB53,415,000 in 2021. The decrease in net financial costs was mainly due to the 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 2022, income tax expenses of the Group amounted to RMB24,648,000, representing a decrease of RMB25,751,000 or 51.09% as compared to RMB50,399,000 in 2021. The decrease in income tax for the year was mainly due to a decrease in profit from operations.

Earnings per Share

For the year ended 31 December 2022, net profit attributable to equity shareholders of the Company amounted to RMB51,932,000 (2021: RMB103,825,000). The basic and diluted earnings per share amounted to RMB0.113, representing a decrease of 50.00% as compared to RMB0.226 in 2021.

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 2022, cash and cash equivalents of the Group amounted to RMB89,431,000 (31 December 2021: RMB76,087,000), of which RMB3,069,062 (31 December 2021: RMB6,820,000) was denominated in HKD.

As at 31 December 2022, the Group had current assets of RMB221,946,000 (31 December 2021: RMB228,693,000), current liabilities of RMB504,796,000 (31 December 2021: RMB565,303,000) and net current liabilities of RMB282,850,000 (31 December 2021: RMB336,610,000) with a current ratio of 0.44 (31 December 2021: 0.40). The increase in current ratio was mainly attributable to the decrease in current liabilities due to the repayment of some interest-bearing loans.

As at 1 January 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 RMB194 million (2021: RMB309 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 2022, the Group had total debts of RMB959,187,000 (31 December 2021: RMB1,018,947,000), including shareholder’s loan of HK\$119,232,000 (equivalent to approximately RMB106,506,000) (31 December 2021: HK\$113,917,000 (equivalent to approximately RMB93,138,000) and lease liabilities of RMB271,000 (31 December 2021: RMB326,000).

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

	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
Unsecured loans from related parties	675,680	531,421
Unsecured bank loans guaranteed by related parties	70,075	186,017
Shareholder’s loan	106,506	93,138
Consideration payable	106,655	208,045
Lease liabilities	271	326
	<hr/>	<hr/>
Total	<u>959,187</u>	<u>1,018,947</u>

The above debts are repayable as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	458,091	486,049
Over 1 year but less than 2 years	471,096	349,898
Over 2 years but less than 5 years	30,000	183,000
Total	<u>959,187</u>	<u>1,018,947</u>

Among the above debts, approximately RMB213,432,000 (31 December 2021: approximately RMB301,509,000) were fixed-rated debts, of which approximately RMB106,506,000 (31 December 2021: approximately RMB93,138,000) were denominated in HKD. The remaining debts were denominated in RMB and subject to adjustment in accordance with relevant regulations of the People's Bank of China, bearing interests at interest rates from 3.50% to 4.75% (2021: 4.35% to 4.90%) per annum.

Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including interest-bearing borrowings, shareholder's loan, consideration payable and lease liabilities, as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity attributable to equity shareholders of the Company (as shown in the consolidated statement of financial position) plus net debt. As at 31 December 2022, the Group's gearing ratio was 53.87% (31 December 2021: 56.74%).

Capital Expenditures

For the year ended 31 December 2022, the Group invested RMB9,390,000 (2021: RMB17,580,000) in the construction of heat grid and photovoltaic construction and the technological renovation of equipment costs.

Capital Commitments

As at 31 December 2022, the Group had capital commitments of RMB57,641,000 (31 December 2021: RMB56,449,000) for the construction of the heat grid (phase II) of Anji Power Plant and the technological renovation and maintenance of power generation units.

Pledge of Assets

As at 31 December 2022 and 2021, the Group had no assets pledged.

Contingent Liabilities

As at 31 December 2022 and 2021, 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 2022, the Group had a total of 290 employees, excluding 0 trainee (31 December 2021: 296 employees, excluding 10 trainees). For the year ended 31 December 2022, total employees' remuneration (including Directors' remuneration and benefits) was RMB27,693,000 (2021: RMB37,484,000). 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

2023 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

In 2022, mainly affected by the adjustment of the Dual Tariff Policy, the net profit attributable to equity shareholders of the Company decreased by 49.98%, which posed significant challenges to the Company's operations. The Board still recommends the payment of a final dividend of HK\$0.026 (2021: HK\$0.056) per share for the year ended 31 December 2022. The proposed final dividend, if approved by the Shareholders at the forthcoming annual general meeting of the Company, is expected to be paid on Friday, 7 July 2023 to the Shareholders whose names appear on the register of members on Wednesday, 28 June 2023.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Monday, 19 June 2023 (the "AGM"). A notice convening the AGM will be published and despatched to the Shareholders in the manner prescribed by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed in the following periods during which day no transfer of the shares of the Company (the "Shares") will be registered:

- (i) from Wednesday, 14 June 2023 to Monday, 19 June 2023 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and to vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 13 June 2023; and
- (ii) from Monday, 26 June 2023 to Wednesday, 28 June 2023 (both days inclusive), for the purpose of determining Shareholders' entitlement to the proposed final dividend. In order to be qualified for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 23 June 2023.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Board has been adamant in upholding high standards of corporate governance to maximise operational efficiency, corporate values and Shareholders' returns. The Company has adopted and applied the principles of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Company will continue to upgrade its internal control system, strengthen its risk management and reinforce its corporate governance structure.

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 2022.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2022.

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 2022 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 2022 containing all the information required by the Listing Rules shall be despatched to the Shareholders and made available on the aforesaid websites in due course.

By order of the Board
Puxing Energy Limited
XU Anliang
Chairman

Hong Kong, 31 March 2023

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