PUXING ENERGY LIMITED
普星能量有限公司

(Formerly known as "Puxing Clean Energy Limited 普星潔能有限公司")
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 90)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2020	2019	
	RMB'000	*RMB'000*	Change
Revenue	**186,118**	137,640	35.22%
Profit from operations	**56,039**	54,841	2.18%
Profit attributable to equity shareholders of the Company	**30,439**	28,465	6.93%
Basic earnings per share	**RMB0.066**	RMB0.062	6.45%
Dividend per share – Interim	**Nil**	Nil	0%

	At 30 June 2020	At 31 December 2019	
	RMB'000	*RMB'000*	Change
Total assets	**1,234,800**	1,170,621	5.48%
Total equity attributable to equity shareholders of the Company	**584,486**	576,132	1.45%
Net asset value per share[1]	**RMB1.27**	RMB1.26	0.79%
Net debt[2]	**439,234**	440,942	–0.39%
Total capital[3]	**1,023,720**	1,017,074	0.65%
Gearing ratio[4]	**42.91%**	43.35%	–0.44%

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, 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", formerly known as "Puxing Clean Energy Limited") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**186,118**	137,640
Operating expenses			
Fuel consumption		**(74,080)**	(28,954)
Depreciation and amortisation		**(28,280)**	(29,030)
Repairs and maintenance		**(1,082)**	(638)
Personnel costs		**(12,202)**	(11,858)
Administrative expenses		**(12,392)**	(10,416)
Sales related taxes		**(1,748)**	(1,620)
Other operating expenses		**(295)**	(283)
Profit from operations		**56,039**	54,841
Finance income		**236**	213
Finance expenses		**(11,145)**	(12,763)
Net finance costs	*5(a)*	**(10,909)**	(12,550)
Other income		**862**	490
Profit before taxation	*5*	**45,992**	42,781
Income tax	*6*	**(15,553)**	(14,316)
Profit for the period		**30,439**	28,465
Profit for the period		**30,439**	28,465
Attributable to:			
Equity shareholders of the Company		**30,439**	28,465
Non-controlling interests		**–**	–
Profit for the period		**30,439**	28,465
Earnings per share			
Basic *(RMB)*	*7(a)*	**0.066**	0.062
Diluted *(RMB)*	*7(b)*	**0.066**	0.062

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit for the period	**30,439**	28,465
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(5,548)**	(2,406)
Total comprehensive income for the period	**24,891**	26,059
Attributable to:		
Equity shareholders of the Company	**24,891**	26,059
Non-controlling interests	**–**	–
Total comprehensive income for the period	**24,891**	26,059

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment		**1,038,221**	1,058,397
Intangible assets		**988**	1,291
Deferred tax assets		**3,134**	3,217
		1,042,343	1,062,905
Current assets			
Inventories		**14,648**	14,697
Trade and other receivables	*8*	**87,582**	44,126
Cash and cash equivalents		**90,227**	48,893
		192,457	107,716
Current liabilities			
Interest-bearing borrowings	*9*	**89,500**	303,431
Trade and other payables	*10*	**68,405**	52,979
Lease liabilities		**2,130**	486
Current taxation		**32,536**	6,200
		192,571	363,096
Net current liabilities		**(114)**	(255,380)
Total assets less current liabilities		**1,042,229**	807,525
Non-current liabilities			
Shareholder's loan		**140,802**	135,075
Interest-bearing borrowings	*9*	**292,466**	50,500
Lease liabilities		**4,563**	343
Deferred revenue		**11,553**	11,735
Deferred tax liabilities		**7,828**	33,209
		457,212	230,862
Net assets		**585,017**	576,663
Capital and reserves			
Share capital		**40,149**	40,149
Reserves		**544,337**	535,983
Total equity attributable to equity shareholders of the Company		**584,486**	576,132
Non-controlling interests		**531**	531
Total equity		**585,017**	576,663

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. REPORTING ENTITY

Puxing Energy Limited (the "Company", formerly known as "Puxing Clean Energy Limited") was incorporated in the Cayman Islands as an exempted company with limited liability on 8 September 2008 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The interim financial report of the Company as at and for the six months ended 30 June 2020 comprises the Company and its subsidiaries (collectively referred to as the "Group"). The principal activities of the Group are the development, operation and management of power plants.

Pursuant to a special resolution passed by the shareholders of the Company on 4 June 2020, the name of the Company and the dual foreign name in Chinese of the Company have been changed from "Puxing Clean Energy Limited 普星潔能有限公司" to "Puxing Energy Limited 普星能量有限公司" with effective from 5 June 2020 pursuant to the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands dated 5 June 2020.

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The interim financial report has been prepared on the basis that the Group will continue to operate throughout the next twelve months as a going concern. The Group's current liabilities exceeded its current assets by RMB114,000 as at 30 June 2020. Based on future projection of the Group's profit and cash inflows from operations, unused credit facilities of RMB 324 million granted by Wanxiang Finance Co., Ltd.* ("Wanxiang Finance"), a related party of the Company, as at 30 June 2020, and the anticipated ability of the Group to obtain continued financial support from an intermediate parent company, Shanghai Pu-Xing Energy Limited ("Shanghai Puxing"), to finance its continuing operations for the next twelve months ending 30 June 2021, 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 interim financial report on a going concern basis.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

* *For identification purpose only*

This interim financial report contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants.

3. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *COVID-19-Related Rent Concessions*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendment to IFRS 16, *COVID-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

4. REVENUE

(a) Revenue

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

Revenue comprises volume tariff revenue, capacity tariff revenue and revenue from sales of heat.

– Volume tariff revenue represents the sale of electricity to power grid companies.

– Capacity tariff revenue represents a subsidy income from power grid companies, following a reduction in the annual planned power generation volume of the Group's power plants for supply to the power grid companies and changes in the electricity tariff policies applicable to the Group since 2015, pursuant to the "Notice Regarding the Trial Implementation of Dual Tariff for Natural Gas Power Generating Units in Zhejiang Province" issued by Zhejiang Provincial Price Bureau in June 2015.

– Revenue from sales of heat represents the sale of heat to corporate entities.

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.

(ii) Disaggregation of revenue

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
Electricity:		
Volume tariff revenue	**61,193**	16,037
Capacity tariff revenue	**109,721**	108,302
	170,914	124,339
Heat:		
Revenue from sales of heat	**15,204**	13,301
	186,118	137,640

5. PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Interest income	**(236)**	(206)
Net foreign exchange gain	**–**	(7)
Finance income	**(236)**	(213)
Interest on interest-bearing borrowings and shareholder's loan	**10,942**	12,738
Interest on lease liabilities	**176**	11
Total interest expense recognised in profit or loss	**11,118**	12,749
Bank charges	**27**	14
Finance expenses	**11,145**	12,763
Net finance costs	**10,909**	12,550

(b) Other items

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Amortisation		
– Intangible assets	**303**	303
Depreciation charge		
– Owned property, plant and equipment	**26,294**	27,959
– Right-of-use assets	**1,683**	768

6. INCOME TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for the PRC Corporate Income Tax	**10,996**	9,960
Under/(over) provision in respect of prior years	**28**	(48)
	11,024	9,912
Deferred tax		
Origination and reversal of temporary differences	**4,529**	4,404
	4,529	4,404
Total income tax expense in the consolidated statement of profit or loss	**15,553**	14,316

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

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2020 and 2019.

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

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

The PRC Corporate Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividend distributions out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. As at 30 June 2020, deferred tax liabilities of RMB7,828,000 (31 December 2019: RMB33,209,000) have been recognised in connection with the withholding tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries.

7. 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 RMB30,439,000 (six months ended 30 June 2019: RMB28,465,000) and the weighted average of 458,600,000 ordinary shares (six months ended 30 June 2019: 458,600,000 ordinary shares) in issue during the six months ended 30 June 2020.

(b) Diluted earnings per share

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 June 2020 and 2019 as there were no dilutive potential shares during the periods.

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Trade receivables	**70,950**	41,047
Bills receivable	**14,430**	–
Trade and bills receivables	**85,380**	41,047
Prepayments	**666**	1,195
Other receivables	**1,536**	1,884
Total	**87,582**	44,126

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

At 30 June 2020, ageing analysis of trade and bills receivables of the Group, based on the invoice date, is as follows:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Within 1 month	**70,950**	41,047
Over 1 month but less than 3 months	**10,880**	–
Over 3 months but less than 6 months	**3,550**	–
Total	**85,380**	41,047

9. INTEREST-BEARING BORROWINGS

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Unsecured loans from related parties (i)	**302,466**	234,431
Unsecured bank loans guaranteed by a related party (ii)	**79,500**	119,500
	381,966	353,931
Reconciliation to the consolidated statement of financial position:		
Current liabilities	**89,500**	303,431
Non-current liabilities	**292,466**	50,500
	381,966	353,931

(i) Unsecured loans from related parties as at 30 June 2020 represented loans from Wanxiang Finance of RMB83,000,000 (31 December 2019: RMB17,000,000) and loans from Shanghai Puxing of RMB219,466,000 (31 December 2019: RMB217,431,000), which bear interest rate at 3.92%-4.89% per annum (31 December 2019: 3.92%-4.75% per annum). Loans in aggregate of RMB209,466,000 (31 December 2019: RMB Nil) were renewed during the six months ended 30 June 2020 for a term of 1 to 3 years.

(ii) The bank loans as at 30 June 2020 and 31 December 2019 were guaranteed by China Wanxiang Holding Co., Ltd. ("China Wanxiang"), the ultimate controlling company of the Company. The bank loans bear an interest rate of 4.9% per annum (2019: 4.9% per annum) and are repayable semi-annually till 28 February 2022.

The bank loans are subject to the fulfilment of financial covenants relating to certain financial ratios of Puxing (Anji) Gas Turbine Thermal Power Co., Ltd., which are commonly found in lending arrangements with financial institutions. As at 30 June 2020 and 31 December 2019, none of these covenants were breached.

10. TRADE AND OTHER PAYABLE

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables	**17,291**	1,468
Other payables and accrued expenses	**51,114**	51,511
	68,405	52,979

An ageing analysis of trade payables of the Group, based on the invoice date, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 3 months	**16,281**	839
Over 3 months but less than 6 months	**76**	152
Over 6 months but less than 1 year	**934**	477
	17,291	1,468

11. DIVIDENDS

(a) Dividends payable to equity shareholders attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK$ nil).

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

	Six months ended 30 June 2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the six months ended 30 June 2020, of HK$0.04 per share (six months ended 30 June 2019: HK$0.035 per share)	**16,537**	14,097

12. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 6 May 2020, Zhejiang Puxing Deneng Natural Gas Power Co., Ltd. ("Deneng Power Plant") and Shanghai Puxing entered into a share purchase agreement, pursuant to which Deneng Power Plant agreed to acquire, and Shanghai Puxing agreed to dispose of, 100% of the equity interests in Quzhou Puxing Gas Turbine Thermal Power Co., Ltd. ("Quzhou Power Plant") at the consideration of RMB333,398,965.29 (subject to adjustment) (the "Acquisition"). Since Quzhou Power Plant is wholly-owned by Shanghai Puxing, the Acquisition is considered as a business combination under common control at completion. The Acquisition has been approved by the shareholders of the Company at the extraordinary general meeting held on 30 July 2020. For details of the Acquisition, please refer to the announcements of the Company date 6 May 2020 and 17 July 2020 and the circular of the Company dated 24 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is mainly engaged in the development, operation and management of natural gas-fired power plants. The Group has four wholly-owned gas fired power plants in Zhejiang Province, the People's Republic of China (the "PRC"), namely, Zhejiang Puxing Bluesky Natural Gas Power Co., Ltd. ("Bluesky Power Plant"), Zhejiang Puxing Deneng Natural Gas Power Co., Ltd. ("Deneng Power Plant"), Zhejiang Puxing Jingxing Natural Gas Power Co., Ltd. ("Jingxing Power Plant") and Puxing (Anji) Gas Turbine Thermal Power Co., Ltd. ("Anji Power Plant"), with an aggregate installed capacity of approximately 458 megawatt (MW) (including 578 kilowatt (kW) photovoltaic power generating units) with a maximum heating capacity of approximately 160 tons/hour. To be in line with the Group's business development plan, the Company was approved by the shareholders of the Company by way of a poll on 4 June 2020 to change its name to "Puxing Energy Limited", and the new company name has become effective on 5 June 2020.

BUSINESS REVIEW

In the first half of 2020, the economic development in the PRC (including Zhejiang Province) and the power consumption demand in the society were affected to a certain degree by the COVID-19 pandemic in the PRC and globe. With the good and rapid epidemic control and protection in the PRC, the social and economic activities have gradually resumed, and the overall power consumption demand in the society has returned to a stable level.

In the first half of 2020, the production volume of the Group during the period under review increased by 310.20% to 120,058 megawatt hour (MWh), as compared with 29,268MWh in the corresponding period of last year, attributable to the increase in peak shaving power generation demand of Zhejiang Province and the active participation in the trial run of the trading in electricity spot market carried out in Zhejiang Province. Meanwhile, as the production volume increased during the period under review as compared to the corresponding period of last year, the consumption of natural gas for electricity generation increased accordingly. The Group's natural gas usage for the first half of 2020 has risen by 297.96% to 27,411,176m^3 from 6,888,000m^3 in the corresponding period of last year.

During the period under review, Zhejiang Provincial Development and Reform Commission announced "Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Adjustment of Gate Station Price for Natural Gas" (Zhe Fa Gai Jia Ge [2020] No.91) and "Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Adjustment of On-grid Tariff of Natural Gas Power Generating Units" (Zhe Fa Gai Jia Ge [2020] No.98) on 26 March 2020 and 27 March 2020, respectively to adjust the volume tariff of natural gas power generating units and gate station price for natural gas (inclusive of value-added tax (VAT)). After adjustments during the period under review, the volume tariff (inclusive of VAT) of each of Deneng Power Plant, Bluesky Power Plant and Jingxing Power Plant under the Group was adjusted from RMB0.686/kilowatt hour (kWh) at the beginning of the period to RMB0.607/kWh at the end of the period, representing a decrease of approximately 11.52%; the volume tariff (inclusive of VAT) of Anji Power Plant was adjusted from RMB0.626/kWh at the beginning of the period to RMB0.547/kWh at the end of the period, representing a decrease of approximately 12.62%; the price of natural gas (inclusive of VAT) of power plants under the Group was also lowered from RMB2.88/m^3 at the beginning of the period to RMB2.50/m^3 at the end of the period, representing a decrease of approximately 13.19%; the capacity tariff of the power plants remained unchanged.

In late June 2020, Jingxing Power Plant under the Group successfully won a tender for the operation maintenance project of the centralized heat supply project of Huzhou Hengjian Energy Co., Ltd.'s Yuyue Hangzhou Industrial Park, which enabled the Group to achieve a major breakthrough in the development of distributed energy service business and marked an important step for transformation into an integrated energy supplier. Meanwhile, on 6 May 2020, Deneng Power Plant under the Group entered into the share purchase agreement with Shanghai Pu-Xing Energy Limited ("Shanghai Puxing") in relation to acquisition of 100% of the equity interests in Quzhou Puxing Gas Turbine Thermal Power Co., Ltd. ("Quzhou Puxing"). Such acquisition had been approved by the shareholders of the Company on 30 July 2020. The Group is striving in completing the transaction, and believes that upon completion of the acquisition of Quzhou Puxing, it will take a solid step for the Group to expand and strengthen its existing clean energy business.

Equity Installed Capacity

As at 30 June 2020, the equity installed capacity of power plants held and operated by the Group was as follows:

Power plant	Category	Installed capacity *(MW)*	Equity interest *(%)*	Equity installed capacity *(MW)*
Bluesky Power Plant	Natural gas	112	100	112
Deneng Power Plant	Natural gas	112	100	112
Jingxing Power Plant	Natural gas	75	100	75
	Photovoltaics	0.22	100	0.22
Anji Power Plant	Natural gas	158	100	158
	Photovoltaics	0.36	100	0.36
Total		**457.58**	**100**	**457.58**

On-grid tariff

On-grid tariff is determined by the Zhejiang Provincial Development and Reform Commission after taking into account the types of fuel, cost structure and operating profit of similar power plants within the provincial grid. A dual tariff policy for natural gas power generation (the "Dual Tariff Policy") has been implemented in trial by Zhejiang Province since 1 January 2015 in accordance with the "Notice Regarding the Trial Implementation of Dual Tariff for Natural Gas Power Generating Units in Zhejiang Province" issued by the Price Bureau of Zhejiang Province. Affecting by the trial implementation of the Dual Tariff Policy, the Group's tariff revenue mainly comprises (i) volume tariff revenue and (ii) capacity tariff revenue.

During the period under review, pursuant to the adjustment by Zhejiang Provincial Development and Reform Commission in accordance with "Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Adjustment of On-grid Tariff of Natural Gas Power Generating Units" (Zhe Fa Gai Jia Ge [2020] No.98), the volume tariff (inclusive of VAT) of each of Deneng Power Plant, Bluesky Power Plant and Jingxing Power Plant under the Group was adjusted from RMB0.686/kWh at the beginning of the period to RMB0.607/kWh at the end of the period, representing a decrease of approximately 11.52%; the volume tariff (inclusive of VAT) of Anji Power Plant was adjusted from RMB0.626/kWh at the beginning of the period to RMB0.547/kWh at the end of the period, representing a decrease of approximately 12.62%. The capacity tariff of the power plants under the Group remained unchanged.

On 13 July 2020, Zhejiang Provincial Development and Reform Commission announced "Notice from the Zhejiang Provincial Development and Reform Commission Regarding the On-grid Tariff of Natural Gas Power Generating Units" (Zhe Fa Gai Jia Ge [2020] No.237). From 1 July 2020, the volume tariff (inclusive of VAT) of Deneng Power Plant, Bluesky Power Plant and Jingxing Power Plant under the Group was adjusted from RMB0.607/kWh to RMB0.5552/kWh, representing a decrease of approximately 8.53%; the volume tariff (inclusive of VAT) of Anji Power Plant was adjusted from RMB0.547/kWh to RMB0.4952/kWh, representing a decrease of approximately 9.47%.

Production Volume

Natural Gas Power Generation

In order to facilitate the trial implementation of the Dual Tariff Policy by Zhejiang Province, the relevant government authorities in Zhejiang Province have organized the 2020 production plan for natural gas power generating units based on the maximum demand within the power grid during the period under review.

In response to the adjustment to the overall electricity procurement demand in Zhejiang Province in the first half of 2020 according to the regional power grid security requirements, as well as the Group's active participation in the trial run of the trading in electricity spot market carried out in Zhejiang Province in the first half of 2020, the Group's natural gas production volume was 120,058MWh (for the six months ended 30 June 2019: 29,268MWh), representing an increase of 310.20% as compared to the corresponding period of last year.

Photovoltaic Power Generation

The installed capacity of the Group's photovoltaic generating units is 578kW. The electricity generated therefrom is mainly used to supplement the auxiliary power consumption rate of the power plant, and the remainder will be sold to the power grid.

For the six months ended 30 June 2020, electricity generated by photovoltaic power was approximately 311MWh (for the six months ended 30 June 2019: 303MWh), of which approximately 45MWh (for the six months ended 30 June 2019: 43MWh) was sold to the power grid.

Through the photovoltaic power generation during the period under review, the Group saved power consumption cost of RMB144,000 (for the six months ended 30 June 2019: RMB136,000) and realised a revenue of RMB66,000 (for the six months ended 30 June 2019: RMB99,000).

Heat Sales Volume

Anji Power Plant provides steam for manufacturers in proximity to its heating pipelines with a maximum heating capacity of approximately 160 tons/hour.

During the period under review, the Group sold 47,479 tons (for the six months ended 30 June 2019: 44,163 tons) of steam with average selling price (inclusive of VAT) of approximately RMB349.05/ton (for the six months ended 30 June 2019: RMB330.00/ton), representing an increase of 7.51% and 5.77%, respectively, as compared to the corresponding period of last year.

For the six months ended 30 June 2020, the revenue and contribution margin (calculated based on revenue from sales of heat minus variable costs associated with the heating production) from sales of heat of the Group were RMB15,204,000 (for the six months ended 30 June 2019: RMB13,301,000) and RMB3,798,000 (for the six months ended 30 June 2019: RMB1,672,000) respectively. The contribution margin ratio for sales of heat was 24.98% (for the six months ended 30 June 2019: 12.57%), representing an increase of 12.41 percentage points as compared to the corresponding period of last year.

Fuel Cost and Natural Gas Usage

All power plants of the Group use natural gas as fuel for power generation, while Anji Power Plant also uses natural gas as fuel for heating. Natural gas is the only source of fuel for the Group and is provided by Zhejiang Province Natural Gas Development Company, the sole supplier of the Group and in Zhejiang Province, of which its price is determined by the Zhejiang Provincial Development and Reform Commission.

During the period under review, pursuant to the adjustment by Zhejiang Provincial Development and Reform Commission in accordance with "Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Adjustment of Gate Station Price for Natural Gas" (Zhe Fa Gai Jia Ge [2020] No.91), the price of natural gas (inclusive of VAT) of the power plants under the Group was lowered from RMB2.88/m^3 at the beginning of the period to RMB2.50/m^3 at the end of the period, representing a decrease of approximately 13.19%.

On 10 July 2020, Zhejiang Provincial Development and Reform Commission announced "Notice from the Zhejiang Provincial Development and Reform Commission Regarding the Adjustment of Gate Station Price for Natural Gas" (Zhe Fa Gai Jia Ge [2020] No.229). From 1 July 2020, the price of natural gas (inclusive of VAT) of the power plants under the Group was lowered from RMB2.50/m^3 to RMB2.25/m^3, representing a decrease of 10.00%.

As the power generation hours increased in the first half of 2020, the Group's total consumption of natural gas for the six months ended 30 June 2020 was 32,172,381m^3 (including 4,761,205m^3 for heating), representing an increase of 184.51% as compared to 11,308,000m^3 (including 4,420,000m^3 for heating) for the corresponding period of last year. The Group's average unit fuel cost for power generation was approximately RMB523.96/MWh, representing a decrease of 12.42% as compared to approximately RMB598.27/MWh in the corresponding period of last year. The average unit fuel cost for heating was approximately RMB222.46/ton, representing a decrease of 14.13% as compared to approximately RMB259.06/ton in the corresponding period of last year. Both decrease in average unit fuel cost for power generation and heating was mainly attributable to the decrease of the average natural gas price (inclusive of VAT) during the period under review as compared to the corresponding period of last year.

For the six months ended 30 June 2020, fuel costs amounted to RMB74,080,000, representing an increase of 155.85% as compared to RMB28,954,000 in the corresponding period of last year. Fuel costs accounted for 97.05% of the related revenue (i.e., volume tariff revenue (excluding revenue from photovoltaic power generation) and revenue from sales of heat), representing a decrease of 1.64 percentage points as compared to 98.69% in the corresponding period of last year. Such decrease was mainly attributable to the increase in related volume tariff revenue as a result of the Group's active participation in the trading in electricity spot market trialled in Zhejiang Province during the period under review.

FINANCIAL REVIEW

Benefiting from the increase in profit from operations and continuous decrease in finance expenses during the period under review, the profit attributable to equity shareholders of the Company for the six months ended 30 June 2020 was RMB30,439,000, representing an increase of 6.93% as compared to RMB28,465,000 in the corresponding period of last year. For the six months ended 30 June 2020, the basic and diluted earnings per share of the Company amounted to RMB0.066, representing an increase of 6.45% as compared to RMB0.062 in the corresponding period of last year.

Revenue

Revenue of the Group comprises volume tariff revenue, capacity tariff revenue and revenue from sales of heat.

Attributable to the increase in peak shaving power generation demand of Zhejiang Province and the Group's active participation in the trial run of the trading in electricity spot market carried out in Zhejiang Province, revenue of the Group for the six months ended 30 June 2020 amounted to RMB186,118,000 (for the six months ended 30 June 2019: RMB137,640,000), representing an increase of 35.22% as compared to the corresponding period of last year.

Operating Expenses

During the period under review, the Group's operating expenses mainly comprised fuel consumption, depreciation and amortisation, staff costs and administrative expenses. For the six months ended 30 June 2020, the operating expenses of the Group amounted to RMB130,079,000 (for the six months 30 June 2019: RMB82,799,000), representing an increase of 57.10% as compared to the corresponding period of last year. The increase in operating expenses was mainly due to increase in fuel consumption as a result of the increase in production volume during the period under review.

Profit from Operations

Benefiting from the increase in production volume during the period under review, the Group's profit from operations for the six months ended 30 June 2020 amounted to RMB56,039,000 (for the six months ended 30 June 2019: RMB54,841,000), representing an increase of 2.18% as compared to the corresponding period of last year.

Finance Costs

For the six months ended 30 June 2020, net finance costs of the Group amounted to RMB10,909,000 (for the six months ended 30 June 2019: RMB12,550,000), representing a decrease of 13.08% as compared to the corresponding period of last year. The decrease in net finance costs was mainly due to the repayment of certain interest-bearing borrowings by the Group during the period under review, resulting in a decrease in finance expenses.

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 six months ended 30 June 2020, income tax expenses of the Group amounted to RMB15,553,000 (for the six months ended 30 June 2019: RMB14,316,000), representing an increase of 8.64% as compared to the corresponding period of last year.

Earnings per Share

For the six months ended 30 June 2020, profit attributable to equity shareholders of the Company amounted to RMB30,439,000 (for the six months ended 30 June 2019: RMB28,465,000). The basic and diluted earnings per share amounted to RMB0.066 (for the six months ended 30 June 2019: RMB0.062), representing an increase of 6.45% as compared to the corresponding period of last year.

Major Acquisitions and Disposals

On 6 May 2020, Deneng Power Plant, an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with Shanghai Puxing, the controlling shareholder of the Company, pursuant to which Deneng Power Plant agreed to acquire, and Shanghai Puxing agreed to dispose of, 100% of the equity interest of Quzhou Puxing at the consideration of RMB333,398,965.29 (subject to adjustment) (the "Acquisition"). The Acquisition has been approved by the shareholders of the Company at the extraordinary general meeting held on 30 July 2020, and is yet to be completed as at the date of this announcement. For details of the Acquisition, please refer to the announcements of the Company dated 6 May 2020 and 17 July 2020 and the circular of the Company dated 24 June 2020.

Save as disclosed above, the Group had no major acquisition and disposal relating to its subsidiaries, associates and joint ventures during the period under review.

Significant Investment Activities

Save for the Acquisition as disclosed above, the Group had no significant investment activity during the period under review.

Liquidity and Financial Resources

Cash and cash equivalents of the Group are denominated in Renminbi (RMB) and Hong Kong Dollar (HKD). As at 30 June 2020, cash and cash equivalents of the Group amounted to RMB90,227,000 (31 December 2019: RMB48,893,000), of which RMB13,829,000 (31 December 2019: RMB3,162,000) was denominated in HKD.

As at 30 June 2020, the Group had current assets of RMB192,457,000 (31 December 2019: RMB107,716,000), current liabilities of RMB192,571,000 (31 December 2019: RMB363,096,000), net current liabilities of RMB114,000 (31 December 2019: RMB255,380,000), and current ratio of 1.00 (31 December 2019: 0.30). The improvement in current ratio was mainly because the Group renewed certain loans with Shanghai Puxing with the repayment terms over 1 year during the period under review. Such loans were transferred from current liabilities to non-current liabilities with reference to the repayment schedule of each of the loans.

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

Debts

All debts of the Group are denominated in RMB, HKD and United States Dollar (USD). As at 30 June 2020, the Group had total debts of RMB529,461,000 (31 December 2019: RMB489,835,000), including loan from a related party of US$19,700,000 (equivalent to approximately RMB139,466,000) (31 December 2019: US$19,700,000 (equivalent to approximately RMB137,431,000)), shareholder's loan of HK$154,145,000 (equivalent to approximately RMB140,802,000) (31 December 2019: HK$150,790,000 (equivalent to approximately RMB135,075,000)) and lease liabilities of HK$268,000 (equivalent to approximately RMB245,000) (31 December 2019: HK$400,000 (equivalent to approximately RMB358,000)).

Details of the Group's debts as at 30 June 2020 and 31 December 2019 are listed below:

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Unsecured loans from related parties	**302,466**	234,431
Unsecured bank loans guaranteed by a related party	**79,500**	119,500
Shareholder's loan	**140,802**	135,075
Lease liabilities	**6,693**	829
Total	**529,461**	489,835

The above debts are repayable as follows:

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Within 1 year	**91,630**	303,917
Over 1 year but less than 2 years	**224,105**	27,343
Over 2 years but less than 5 years	**213,726**	158,575
Total	**529,461**	489,835

Among the above debts, RMB286,961,000 (31 December 2019: RMB273,335,000) were fixed rate debts, of which RMB280,513,000 (31 December 2019: RMB272,864,000) were denominated in USD and HKD. The remaining debts of RMB242,500,000 (31 December 2019: RMB216,500,000) were denominated in RMB, and bearing interest rates ranging from 3.92% to 4.90% per annum (31 December 2019: 3.92% to 4.90% per annum) which are subject to adjustment in accordance with relevant regulations of the People's Bank of China.

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 and lease liabilities) less cash and cash equivalents. Total capital is calculated as total equity attributable to equity shareholders of the Company plus net debt. As at 30 June 2020, the Group's gearing ratio was 42.91% (31 December 2019: 43.35%).

Capital Expenditures

For the six months ended 30 June 2020, the Group invested RMB3.75 million (for the six months ended 30 June 2019: RMB1.78 million), which was mainly used in the purchase of property, plant and equipment and intangible assets.

Capital Commitments

As at 30 June 2020, the Group had capital commitments of RMB14,729,000 (31 December 2019: RMB14,669,000) authorised but not contracted for the investment in enhancing the plant and machinery of the Group.

Pledge of Assets

As at 30 June 2020 and 31 December 2019, the Group had no assets pledged.

Contingent Liabilities

As at 30 June 2020 and 31 December 2019, the Group had no material contingent liability.

Foreign Exchange Risk

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

Employees and Remuneration Policy

As at 30 June 2020, the Group had a total of 254 employees, excluding 2 temporary staff (31 December 2019: 251 employees, excluding 2 temporary staff). For the six months ended 30 June 2020, total employees' remuneration (including director's remuneration and benefits) was RMB12,202,000 (for the six months ended 30 June 2019: RMB11,858,000). 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

With the effective control and protection against COVID-19 by the PRC government, social and economic activities in the PRC have gradually resumed and the overall power consumption demand in the society has remained stable. In the second half of 2020, the Group will continue to promote and strengthen its refined management to minimize the impact of the epidemic on the Group's production and operations, and actively follow up and participate in the power market reforms in Zhejiang Province, and explore business development opportunities. Meanwhile, the Group will continue to uphold the core concept of "Energy+Technology", make efforts to expand its diversified development of energy business, and strive to develop into an integrated energy supplier.

Apart from those matters as set out above, the management discussion and analysis has not materially changed from the information previously disclosed in the 2019 annual report of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: HK$ nil).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CORPORATE GOVERNANCE

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2020.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2020. KPMG, the Group's external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2020 in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website (www.puxing-energy.com) and the HKEXnews website (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules shall be despatched to the shareholders of the Company and made available on the aforesaid websites in due course.

By order of the Board
Puxing Energy Limited
WEI Junyong
Chairman

Hong Kong, 28 August 2020

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