濱 海 投 資 有 限 公 司
BINHAI INVESTMENT COMPANY LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 2886)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

Year ended 31 December

	2023	2022	*Changes*
	HK$'000	*HK$'000*	*Percentage*
Revenue	**6,406,681**	6,102,638	5%
Gross profit	**748,979**	727,322	3%
Profit for the year	**263,422**	332,753	-21%
Profit for the year attributable to owners of the Company	**256,612**	325,833	-21%
	HK cents	*HK cents*	*Percentage*
Earnings per Ordinary Share			
— Basic	**19.0**	24.1	-21%
— Diluted	**18.9**	24.0	-21%
	Percentage	*Percentage*	*Percentage point*
Gross profit margin *(Note)*	**11.7%**	11.9%	-0.2
Profit margin for the year *(Note)*	**4.1%**	5.5%	-1.4

As at 31 December

	2023	2022	*Changes*
	HK$'000	*HK$'000*	*Percentage*
Current assets	**1,875,411**	1,935,797	-3%
Total assets	**8,590,782**	8,570,664	0%
Total equity	**2,320,551**	2,285,986	2%
Current liabilities	**4,051,960**	3,788,969	7%
Total liabilities	**6,270,231**	6,284,678	0%

			Percentage
	Percentage	*Percentage*	*point*
Average finance costs *(Note)*	**5.5%**	4.6%	0.9
Return on average equity *(Note)*	**11.5%**	14.6%	-3.1

Note:

Definitions

- **Gross profit margin**
  Gross profit divided by Revenue

- **Profit margin for the year**
  Profit for the year divided by Revenue

- **Average finance costs**
  Weighted average interest expenses divided by Weighted average borrowings

- **Return on average equity**
  Profit attributable to owners of the Company for the year divided by Average equity attributable to owners of the Company

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Binhai Investment Company Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Results Announcement**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers	4	**6,406,681**	6,102,638
Cost of sales and services	8	**(5,657,702)**	(5,375,316)
Gross profit		**748,979**	727,322
Administrative expenses	8	**(350,187)**	(314,822)
Other income	5	**140,681**	63,359
Other losses — net	6	**(21,596)**	(18,598)
Net impairment (losses)/reversal on financial and contract assets	7	**(17,548)**	30,723
Operating profit		**500,329**	487,984
Finance income	9	**6,612**	10,330
Finance costs	9	**(163,012)**	(116,897)
Finance costs — net	9	**(156,400)**	(106,567)
Share of net profit of associates and joint ventures accounted for using the equity method		**10,769**	6,986
Profit before income tax		**354,698**	388,403
Income tax expense	10	**(91,276)**	(55,650)
Profit for the year		**263,422**	332,753
Profit for the year attributable to:			
— Owners of the Company		**256,612**	325,833
— Non-controlling interests		**6,810**	6,920
		263,422	332,753
		HK$ cents	*HK$ cents*
Earnings per share attributable to owners of the Company:			
— Basic earnings per share	12	**19.0**	24.1
— Diluted earnings per share	12	**18.9**	24.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
Profit for the year	**263,422**	332,753
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
— Exchange differences on translation of financial statements of the Company	**(591)**	(31,245)
Items that may be reclassified to profit or loss		
— Exchange differences on translation of financial statements of the subsidiaries	**(68,660)**	(152,837)
	(69,251)	(184,082)
Total comprehensive income for the year	**194,171**	148,671
Total comprehensive income for the year is attributable to:		
— Owners of the Company	**187,911**	147,620
— Non-controlling interests	**6,260**	1,051
	194,171	148,671

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**6,007,569**	5,845,395
Right-of-use assets		**194,424**	209,185
Investment properties		**12,561**	6,301
Intangible assets		**72,120**	51,002
Investments accounted for using the equity method		**296,902**	78,796
Prepayments	*14*	**87,476**	267,390
Deferred income tax assets		**33,394**	33,730
Restricted cash		**10,925**	143,068
		6,715,371	6,634,867
Current assets			
Inventories		**107,863**	138,853
Trade and other receivables	*13*	**348,342**	336,536
Notes receivable		**34,708**	6,394
Contract assets		**15,906**	13,819
Prepayments	*14*	**433,193**	565,149
Term deposits		**127,035**	—
Restricted cash		—	29,796
Cash and cash equivalents		**808,364**	845,250
		1,875,411	1,935,797
Total assets		**8,590,782**	8,570,664

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
EQUITY AND LIABILITIES			
Equity			
Share capital		**330,299**	377,203
— Ordinary shares		**135,299**	135,203
— Redeemable preferences shares		**195,000**	242,000
Share premium		**1,536**	175,305
Contributed surplus		**40,102**	—
Other reserves		**(70,820)**	(70,563)
Retained earnings		**1,932,273**	1,739,025
Equity attributable to owners of the Company		**2,233,390**	2,220,970
Non-controlling interests		**87,161**	65,016
Total equity		**2,320,551**	2,285,986
Liabilities			
Non-current liabilities			
Borrowings	*16*	**2,059,386**	2,328,391
Deferred income		**142,721**	140,782
Lease liabilities		**6,412**	15,622
Deferred income tax liabilities		**9,639**	—
Trade and other payables	*15*	**113**	10,914
		2,218,271	2,495,709
Current liabilities			
Trade and other payables	*15*	**1,324,393**	1,282,003
Contract liabilities		**821,627**	887,355
Current income tax liabilities		**52,551**	31,781
Borrowings	*16*	**1,846,244**	1,575,868
Lease liabilities		**7,145**	11,962
		4,051,960	3,788,969
Total liabilities		**6,270,231**	6,284,678
Total equity and liabilities		**8,590,782**	8,570,664

NOTES TO THE RESULTS ANNOUNCEMENT

For the year ended 31 December 2023

1. GENERAL INFORMATION

Binhai Investment Company Limited (the "**Company**") was incorporated in Bermuda on 8 October 1999. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKEx**").

The Company is an investment holding company. The Company and its subsidiaries are hereafter together referred to as the Group.

The directors of the Company (the "**Directors**") regard TEDA Hong Kong Property Company Limited ("**TEDA HK**") and Great Wall Energy Investment (Hong Kong) Limited ("**Great Wall Energy HK**") as the two largest shareholders of the Company, which hold 36.24% and 29.97% of the total ordinary shares in issue of the Company, respectively.

The consolidated financial statements of the Group are presented in Hong Kong Dollars ("**HK$**") and the functional currency of the Company and its subsidiaries is Renminbi ("**RMB**").

2. GOING CONCERN CONSIDERATIONS

As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately HK$2,177 million. The Group's current liabilities as at 31 December 2023 primarily included trade and other payables, contract liabilities and current borrowings of approximately HK$1,324 million, HK$822 million and HK$1,846 million, respectively. Among these, syndicated borrowings of approximately US$114 million (equivalent to approximately HK$889 million) will mature on 10 June 2024.

The management of the Company has concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 31 December 2023 based on the following considerations: 1) the Group will remain profitable and generate net cash from its operations; 2) the Group has entered into a term loan facility agreement with syndicate formed by several banks provided a multi-currency term loan facility of US$110 million and RMB284 million (equivalent to approximately HK$1,168 million); and 3) the Group has already arranged or secured other loan facilities totaling approximately RMB1,281 million (equivalent to approximately HK$1,409 million) from certain banks and other financial institutions which are readily available for the Group as of the date of approval of the consolidated financial statements.

The Directors have reviewed the management's assessment together with the underlying basis and are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

The consolidated financial statements have been prepared on a historical cost basis, except for certain notes receivable which are classified as financial assets at fair value through other comprehensive income which are measured at fair values.

New and amended standards adopted by the Group

The Group has applied the following new and amended standards for their annual reporting period commencing on 1 January 2023:

- *Insurance Contracts — HKFRS 17*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12*
- *Definition of Accounting Estimates – Amendments to HKAS 8*
- *International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12*
- *Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2*

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned new and amended standards.

New and amended standards not yet adopted

Certain amended standards and interpretations have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group. These amended standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on its foreseeable future transactions.

4. SEGMENT INFORMATION

The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources of the Group. The Executive Directors have determined the following operating segments based on these internal reports.

The Executive Directors assess the performance of the following Group's operating segments:

- Sales of piped natural gas
- Construction and gas pipeline installation service
- Gas passing through service
- Sales of bottled natural gas

The Executive Directors assess the performance of the operating segments based on segment results. Segment results are measured as gross profit of each segment.

The segment revenue, results and other segment information are analysed as follows:

	Year ended 31 December 2023				
	Sales of piped natural gas *HK$'000*	**Construction and gas pipeline installation service** *HK$'000*	**Gas passing through service** *HK$'000*	**Sales of bottled natural gas** *HK$'000*	**Total** *HK$'000*
Total segment revenue from external customers	**5,850,142**	**504,871**	**51,668**	**—**	**6,406,681**
Recognised at a point in time	**5,850,142**	**—**	**51,668**	**—**	**5,901,810**
Recognised over time	**—**	**504,871**	**—**	**—**	**504,871**
Segment results	**413,937**	**290,760**	**44,282**	**—**	**748.979**
Other income					**140,681**
Administrative expenses					**(350,187)**
Other losses — net					**(21,596)**
Net impairment losses on financial and contract assets					**(17,548)**
Finance income					**6,612**
Finance costs					**(163,012)**
Shares of net profit of associates and joint ventures accounted for using the equity method					**10,769**
Profit before income tax					**354,698**
Other segment information					
Depreciation (included in cost of sales and services)	**140,952**	**931**	**6,108**	**—**	**147,991**
Depreciation (included in administrative expenses)					**69,193**
					217,184
Impairment loss on property, plant and equipment					**16,770**

	Year ended 31 December 2022				
	Sales of piped natural gas	Construction and gas pipeline installation service	Gas passing through service	Sales of bottled natural gas	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue from external customers	5,380,406	646,835	51,104	24,293	6,102,638
Recognised at a point in time	5,380,406	—	51,104	24,293	5,455,803
Recognised over time	—	646,835	—	—	646,835
Segment results	319,545	360,574	42,073	5,130	727,322
Other income					63,359
Administrative expenses					(314,822)
Other losses — net					(18,598)
Net impairment reversal on financial and contract assets					30,723
Finance income					10,330
Finance costs					(116,897)
Shares of net profit of associates and joint ventures accounted for using the equity method					6,986
Profit before income tax					388,403
Other segment information					
Depreciation (included in cost of sales and services)	92,897	19,376	9,402	496	122,171
Depreciation (included in administrative expenses)					75,486
					197,657

The Executive Directors have not made reference to any geographical information for assessing the Group's performance and allocating resources, as all of the Group's operations are conducted in the PRC.

5. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Government grants	**80,523**	22,355
Assembling services income	**32,471**	23,864
Rental income	**10,180**	6,533
Insurance agency service income	**9,246**	6,561
Sales of gas appliances	**8,261**	4,046
	140,681	63,359

6. OTHER LOSSES — NET

	2023	2022
	HK$'000	*HK$'000*
Net gains from compensation for damaged gas stations and gas pipelines *(i)*	**20,367**	29,932
Net gains on disposal of property, plant and equipment	**24**	23,426
Net gains on disposal of raw materials	**2,046**	4,332
Impairment loss on property under construction	**(9,148)**	—
Net gains on deregistration of a subsidiary	**—**	4,370
Net foreign exchange losses *(ii)*	**(32,251)**	(84,171)
Insurance recovery income	**5,020**	—
Others	**(7,654)**	3,513
	(21,596)	(18,598)

(i) In 2023, nine (2022: five) subsidiaries relocated their gas stations or gas pipelines in accordance with the road repair and construction requirements of the municipal governments of Deqing county, Haiyan county, Anxin county, Gaoan, Sanhe, Zhuozhou, Yizheng, Nanjing and Tianjin (2022: Deqing county, Funing county, Yizheng, Nanjing and Tianjin). The compensation amounts in excess of the carrying amounts of the pipelines being relocated have been recognised as net gains from compensation for damaged gas pipelines for the years ended 31 December 2023 and 2022.

(ii) The net foreign exchange losses primarily comprised the net exchange loss arising from the retranslation of the US$-denominated syndicated borrowing and HK$-denominated bank borrowing of HK$33,101,000 and HK$86,092,000 for the year ended 31 December 2023 and the year ended 31 December 2022, respectively.

7. NET IMPAIRMENT (LOSSES)/REVERSAL ON FINANCIAL AND CONTRACT ASSETS

	2023	2022
	HK$'000	*HK$'000*
Impairment (losses)/reversal on trade and other receivables	**(17,539)**	27,750
Impairment (losses)/reversal on contract assets	**(9)**	2,973
	(17,548)	30,723

8. EXPENSES BY NATURE

	2023	2022
	HK$'000	*HK$'000*
Cost of gas purchased	**5,081,867**	4,789,548
Employee benefit expenses	**312,445**	302,166
Depreciation	**217,184**	197,657
— Property, plant and equipment	**200,353**	181,055
— Right-of-use assets	**16,831**	16,602
Subcontractor and other costs	**106,939**	128,631
Safety production expenses	**83,075**	24,806
Costs of pipelines and other materials purchased	**80,609**	144,663
Changes in inventories of pipelines and other materials	**25,878**	19,820
Repair expenses	**23,998**	29,196
Other professional fees	**17,479**	15,777
Expenses relating to short-term leases	**5,713**	7,024
Impairment losses/(reversal) on property, plant and equipment	**7,622**	(13,994)
Amortisation	**4,560**	3,893
— Intangible assets	**4,327**	3,644
— Investment properties	**233**	249
Auditor's remuneration	**3,514**	3,704
Others	**37,006**	37,247
Total cost of sales and services and administrative expenses	**6,007,889**	5,690,138

9. FINANCE INCOME AND COSTS

	2023	2022
	HK$'000	*HK$'000*
Finance income:		
Interest income on bank deposits	**6,612**	10,330
Finance costs:		
Interest expenses	**(224,116)**	(156,901)
Less: Amounts capitalised as construction in progress	**61,104**	40,004
	(163,012)	(116,897)
Finance cost — net	**(156,400)**	(106,567)

The capitalisation rate used to determine capitalised amounts of interests incurred in 2023 was 5.65% (2022: 4.40%) per annum.

10. INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Current income tax	**83,417**	68,438
Deferred income tax	**7,859**	(12,788)
	91,276	55,650

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Binhai Investment Hong Kong Company Limited ("**Binhai HK**") is a resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" for the calendar year 2022 to 2024.

According to the PRC Corporate Income Tax Law (the "**CIT Law**"), the dividends as declared by PRC incorporated subsidiaries to their foreign immediate holding companies (incorporated outside Mainland China) relating to the profits made subsequent to 1 January 2008 are subject to withholding income tax on dividend ("**Withholding tax**") at the rate of 10% with reduced rates available under certain conditions according to relevant international tax treaties.

The Group is liable to Withholding tax on dividends actually declared and distributed from the unremitted earnings of the PRC incorporated subsidiaries as accumulated subsequent to 1 January 2008. As Binhai HK has acquired Certificate of Resident Status for years from 2022, the reduced rate of Withholding tax was applied.

In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Corporate Income Tax", New and High Technical Enterprise was subject to income tax at a preferential tax rate of 15%. Tianjin TEDA Binhai Clean Energy Group Company* (天津泰達濱海清潔能源集團有限公司) was recognised as a New and High Technical Enterprises on 19 December 2022 in accordance with the CIT Law for 3 years and hence is subject to the preferential tax rate of 15% for the years from 2022 to 2024.

Other subsidiaries established in the PRC are subject to income tax at the statutory tax rate of 25% for the year ended 31 December 2023 (2022: 25%).

The Company was established in Bermuda, which is a tax free country.

11. DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Final dividend for the year ended 31 December 2022 of HK$0.10 (2021: HK$0.09) per ordinary share declared and paid	**135,203**	121,682

The final dividend of HK$135,203,000 relating to the year ended 31 December 2022 was approved by the shareholders of the Company at the annual general meeting on 12 May 2023 and was fully paid in June 2023.

On 25 March 2024, the Board resolved to propose a final dividend amounting to approximately HK$102,827,000 for the year ended 31 December 2023 (2022: HK$135,203,000), representing HK$7.6 cents (2022: HK$10.0 cents) per ordinary share. Shareholders will be given the option to elect to receive the final dividend entirely in new ordinary shares, partly in new ordinary shares and partly in cash, or entirely in cash (the "**Scrip Dividend Scheme**"). The Scrip Dividend Scheme is subject to HKEx granting the listing of and permission to deal in the new ordinary shares to be issued pursuant thereto. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from the Company's retained earnings and contributed surplus during the year ending 31 December 2024.

12. EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the year.

	2023	2022
Profit attributable to owners of the Company *(HK$'000)*	**256,612**	325,833
Weighted-average number of ordinary shares for basic earnings per share *(thousand)*	**1,352,422**	1,352,025
Basic earnings per share *(HK$ cents)*	**19.0**	24.1

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted-average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2023	2022
Profit attributable to owners of the Company *(HK$'000)*	**256,612**	325,833
Weighted-average number of ordinary shares for diluted earnings per share *(thousand)*	**1,356,254**	1,355,530
Diluted earnings per share *(HK$ cents)*	**18.9**	24.0

(iii) Weighted-average number of shares used as the denominator

In thousands share	**2023**	2022
Weighted-average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,352,422**	1,352,025
Adjustment for share options granted to employees	**3,832**	3,505
Weighted-average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,356,254**	1,355,530

13. TRADE AND OTHER RECEIVABLES

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000*
Trade receivables from third parties	**349,058**	320,275
Less: Provision for impairment loss allowance	**(90,186)**	(80,953)
	258,872	239,322
Trade receivables from related parties	**9,924**	8,170
Less: Provision for impairment loss allowance	**(6,049)**	(5,854)
	3,875	2,316
Other receivables	**89,959**	98,339
Less: Provision for impairment loss allowance	**(4,364)**	(3,441)
	85,595	94,898
Total trade and other receivables	**348,342**	336,536

The Group grants credit period of 90 days for its customers of piped natural gas sales and customers of gas passing through service, whereas a longer credit period of 180 days after the completion of relevant stage of contract work is granted to customers of construction and gas pipeline installation. A longer credit period may be granted on a discretionary basis to certain selected customers with good repayment histories or settlement by bills.

The ageing analysis of trade receivables presented based on the revenue recognition date is set out below:

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000*
Within 90 days	**125,991**	109,024
91 – 180 days	**32,192**	14,075
181 – 365 days	**29,705**	41,544
Over 365 days	**171,094**	163,802
	358,982	328,445

14. PREPAYMENTS

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
Prepayments for natural gas purchases	**379,487**	534,286
Prepayments for acquiring an equity investment	**—**	169,760
Prepayments for construction projects	**58,913**	120,764
Prepayments for others	**154,514**	82,067
	592,914	906,877
Less: Provision for impairment	**(72,245)**	(74,338)
	520,669	832,539
Representing:		
— Non-current portion	**87,476**	267,390
— Current portion	**443,193**	565,149
	520,669	832,539

The non-current portion of prepayments mainly represented the prepayments for the constructions of the gas pipeline network and other long-term assets of the Group.

15. TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
Trade payables	**663,227**	645,755
Other payables	**599,247**	602,367
Accrued expenses	**62,032**	44,795
Total trade and other payables	**1,324,506**	1,292,917
Less: Non-current portion of trade and other payables	**(113)**	(10,914)
Current portion	**1,324,393**	1,282,003

As at 31 December 2023, the ageing of the trade payable based on suppliers' invoice date is set out below:

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
Within 90 days	**178,588**	233,241
91-180 days	**53,039**	53,531
181-365 days	**104,275**	68,872
Over 365 days	**327,325**	290,111
	663,227	645,755

16. BORROWINGS

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000*
Non-current		
Secured:		
— Syndicated borrowing	**—**	889,407
— Bank borrowings	**1,510,973**	1,018,507
— Other borrowings	**548,413**	420,477
Total non-current borrowings	**2,059,386**	2,328,391
Current		
Secured:		
— Syndicated borrowing	**889,342**	104,543
— Bank borrowings	**631,952**	476,284
— Other borrowings	**189,950**	873,041
	1,711,244	1,453,868
Unsecured:		
— Bank borrowings	**135,000**	122,000
Total current borrowings	**1,846,244**	1,575,868
Total borrowings	**3,905,630**	3,904,259

Note:

As at 31 December 2023, the Group's syndicated borrowing of approximately USD114,354,000, equivalent to approximately HK$889,342,000 (2022: HK$993,950,000), was guaranteed by Tianjin TEDA Investment Holding Company Limited* (天津泰達投資控股有限公司) ("**TEDA**"), the largest shareholder of the Company. Its annual interest rate was originally the London Interbank Offered Rate ("**LIBOR**") plus 2.6% and LIBOR was transitioned to the Secured Overnight Financing Rate ("**SOFR**") from 12 December 2022 onwards pursuant to a supplemental agreement. Interests are payable quarterly and the principal are repaid by installments up to June 2024.

17. EVENT OCCURRING AFTER THE BALANCE SHEET DATE

No material subsequent events were noted as at the date of approval of this results announcement.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this results announcement.

PERFORMANCE REVIEW

In 2023, after the COVID-19 pandemic, the society in Mainland China fully returned to normal. The results from the policy of "stabilizing growth, employment and prices" was apparent. The meeting of the Political Bureau of the CPC Central Committee emphasized the adjustment and optimization of the real estate policy and the expansion of domestic demand, laying a solid foundation for the annual economic and social development targets. Many places in China have promoted the price linkage mechanism for natural gas, and the policy of upstream-downstream pricing-rationalisation mechanism has been implemented in various places to make the adjustment of residential gas prices possible, with the aim of fixing and stabilizing the price difference of natural gas to alleviate the procurement pressure on city gas enterprises. According to the report of the National Energy Administration, natural gas consumption in China reached 394.53 billion cubic meters in 2023, representing a year-on-year increase of 7.6%. The international natural gas market was affected by factors such as the slowdown in global economic growth, high inventories in Europe and the United States, and the weakening of the marginal effect of geopolitics on the international energy market. In contrast to the tight supply and demand situation in the previous year, the overall supply and demand of natural gas tend be balanced, with price fluctuations narrowing and stabilizing. In a complex and volatile business environment, the Group adopted a flexible operation approach and achieved growth in both revenue and gross profit, contributing to a significant uplift in profitability.

In the area of enterprise operations, during 2023, total gas sales of the Group reached a record high, exceeding 2.2 billion cubic metres, of which piped natural gas sales reached 1.61 billion cubic metres, a year-on-year increase of 12%, while gas passing through reached 0.61 billion cubic metres, a year-on-year increase of 2%. Among total gas sales, the proportion of industrial and commercial customers exceeded 85%, indicating a clear advantage in customer structure. The number of regular customers from the construction and installation of gas engineering works of the Group increased by about 100,000, with an aggregate number of customers amounted to about 2,399,000. On the other hand, the Group's value-added business continued to grow rapidly, with gross profit increased year-on year by 44%, driving an upward breakthrough in profitability. The natural gas trading business has launched officially, contributing to gas trading volume of 0.059 billion cubic metres, achieving gross profit of approximately HK$3 million.

Following the entering into the "Framework Agreement on Promoting High-quality Development of Binhai Investment" in 2022, the two major shareholders, TEDA and Sinopec Natural Gas Co., Ltd* ("**Sinopec**"), went on to enter into the "Framework Agreement on Further Supporting the Improvement of the Industrial Chain of Binhai Investment" in mid-2023, proactively supporting the Group's efforts in optimising its industrial chain and expediting the promotion of the Group as a strategic platform for the development of clean natural gas energy for TEDA and Sinopec. Driven by the strategic agreements, the two major shareholders continued to honour their commitments under the agreements and comprehensively deepened their strategic co-operation, while at the same time the Group demonstrated its efforts in optimising its business development and in the area of integrated energy. In 2023, TEDA supported the Group in entering into the Cooperation Framework Agreement for the Construction and Operation of Integrated Smart Energy in relation to the TEDA Science and Technology Innovation City project. By entering into the Strategic Cooperation Framework Agreement with TEDA Urban Renewal, the Group has applied its expertise in the construction and operation of integrated energy and distributed energy. In respect of the support from Sinopec, the Group successfully acquired a 2% equity interest in Sinopec Tianjin LNG Co., Ltd.* ("**Sinopec LNG**") and obtained the corresponding peak-shaving capabilities and window period for gas resource trading in accordance to its proportion of equity interest. The Group further entered into a deepening cooperation agreement with Sinopec with a plan to expand its shareholding in Sinopec LNG, for the continued support to the Group in optimising the upstream and downstream industrial chain, which will help reduce gas procurement costs and enhance profitability. The Group entered into a strategic cooperation agreement with Sinopec Great Wall Gas Investment Co., Ltd, a subsidiary of Sinopec, in relation to the establishment of the Southern Group to promote the Group's development in the market of southern region. Meanwhile, it also entered into a cooperation framework agreement in integrated energy projects with Sinopec New Star (Tianjin) New Energy Company Limited, to promote cooperation in the areas of integrated energy management, integrated energy development and construction.

Apart from the combined efforts of the two major shareholders in promoting the development of the Group, the Group continued to make efforts in opening up the upstream and downstream industrial chain and had gained positive progress in 2023. After the formal operation of Shenzhen Binhai Energy Co. Ltd, an energy supply chain company specialising in natural gas trading, the Group has successively entered into a strategic cooperation framework agreement and a terminal sales agreement with Beijing Gas Group (Tianjin) Natural Gas Sales Company Limited* ("**Beijing Gas Tianjin**"), a wholly-owned subsidiary of Beijing Gas Group Co. Ltd.* ("**Beijing Gas Group**"), to expand and optimise the Group's upstream gas source structure as well as to strengthen co-operation in the terminal market. The Group also obtained the support of Sinopec Natural Gas in regard to the cross-regional co-ordination and transfer of gas source indicators, and successfully realised the incremental production of 300,000 cubic metres for the daily gas consumption of the Qinhuangdao Yaohua Glass Project. The series of co-operation demonstrated the Group's increased advantage in the upstream resources, the ability to expand the market in new regions while reducing the overall procurement costs of gases, as well as the continuous optimisation and development of its upstream and downstream integrated supply chain system.

In terms of business expansion, the Group has also made great effort in the supply of natural gas to the power plant of Tianjin Junliancheng Power Generation Company Limited and in other projects, leading to a steady increase in the volume of gas supplied by the Group. While the property market in China has yet to recover, thereby affecting the performance of the industry's pipeline connection businesses, the Group has nevertheless continued to make breakthroughs in the area of value-added businesses, which have become new business growth points and opened up new profit highs.

As a leading player in the market, the Group shoulders its corporate social responsibility and is committed to energy conservation and emission reduction, ensuring a stable supply of natural gas, and making continuous contributions to achieve "carbon peaking and carbon neutrality". During the year, in incidents such as the flooding disaster in Zhuozhou City, Hebei Province and the ground subsidence disaster in the Balitai area of Jinnan District, Tianjin, the Group timely activated emergency response plans, cooperated with the government and various parties to remove potential safety hazards, repair damaged gas supply facilities, and provided safe and stable gas supply to customers in the shortest possible time, which was praised by both the government and the customers. In the winter of 2023, a cold wave and snowstorm hit northern China, resulting in a sudden drop in temperature and the volume of gas supplied on a single day exceeded the historical peak, making it a major challenge to ensure the safe and stable supply of gas to customers. The Group took the heavy responsibility and successfully completed all tasks including coordination of gas resources and securing the safety of facilities and equipment to ensure gas supply. The Group's emphasis on corporate social responsibility has gradually gained recognition from the industry and various sectors. During the year, the Group was awarded the "Social Responsibility Award of the Year" in the "Guruclub Greater China Best Listed Company Awards", the "Best Small and Mid-Cap Enterprises" and the "Best ESG Company Award" at the "8th Zhitong Financial Capital Market Annual Conference and Listed Company Award Ceremony" in recognition of the management team's dedication and care for the community over the years.

BUSINESS REVIEW

The Group is principally engaged in the sales of piped natural gas and the provision of construction and gas pipeline installation service and gas passing through service.

Sales of Piped Natural Gas

For the year ended 31 December 2023, consumption of piped natural gas by domestic and industrial users amounted to approximately 11,528 x 10^6 and 45,006 x 10^6 mega-joules respectively, as compared to 11,390 x 10^6 and 38,941 x 10^6 mega-joules respectively for the year ended 31 December 2022. During the year, the Group's revenue from sales of piped natural gas amounted to HK$5,850,142,000, representing an increase of HK$469,736,000 or approximately 9% compared to the amount of HK$5,380,406,000, recorded for the year ended 31 December 2022.

Construction and Gas Pipeline Installation Service

The Group constructs gas pipelines for its clients and connects such pipelines to the Group's main gas pipeline networks. The Group then charges construction and gas pipeline installation service fees from industrial and commercial customers, property developers and property management companies. As at 31 December 2023, the aggregate length of city medium-pressure gas pipeline networks was approximately 3,891 kilometers, representing an increase of 170 kilometers from the length of 3,721 kilometers as at 31 December 2022, while the aggregate length of high-pressure and sub-high-pressure gas pipeline networks was approximately 649 kilometers, representing an increase of 1 kilometers from the length of 648 kilometers as at 31 December 2022. For the year ended 31 December 2023, the Group's revenue from construction and gas pipeline installation service amounted to approximately HK$504,871,000, representing a decrease of HK$141,964,000 or approximately 22% compared to the amount of HK$646,835,000 recorded for the year ended 31 December 2022.

Gas Passing Through Service

The Group transports gases for clients through gas pipeline networks and charges passing through fees. For the year ended 31 December 2023, the volume of gases transported by the Group for its clients amounted to 606,746,516 cubic metres and gas passing through service income amounted to approximately HK$51,668,000, representing an increase of approximately HK$564,000 or 1% compared to the amount of approximately HK$51,104,000 recorded for the year ended 31 December 2022.

Property Development

As at 31 December 2023, the Group held a piece of land under development of approximately 15,899.6 square metres located to the east of Central West Road, west of Central Road, north of Xi San Road and south of Xi Er Road in the Tianjin Airport Economic Area in the Binhai New Area of the PRC, under land use rights for commercial use for a term of 40 years from 31 December 2009.

In view of the Group's current strategic direction which focuses on the development of the gas business, the Group plans to dispose of the above property under construction.

FINANCIAL REVIEW

Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2023 was approximately HK$749 million (2022: HK$727 million) and the gross profit margin for the Group was approximately 12% (2022: 12%).

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2023 was approximately HK$350 million, representing an increase of approximately HK$35 million or 11% compared to approximately HK$315 million for the year ended 31 December 2022, which was mainly attributable to an increase in research and development expenses.

Profit Attributable to Owners of the Company

Profit attributable to equity owners of the Company for the year ended 31 December 2023 was approximately HK$257 million, as compared to approximately HK$326 million for the year ended 31 December 2022. The decrease in profit attributable to owners of the Company was mainly attributable to an increase in finance costs. Due to the continuous increase in SOFR during the year, the finance costs of US$ syndicated borrowing increased.

Basic earnings per share for the year ended 31 December 2023 was HK$19.0 cents, as compared to HK$24.1 cents for the year ended 31 December 2022.

Liquidity and Financial Resources

As at 31 December 2023, the total borrowings of the Group amounted to approximately HK$3,905,630,000 (2022: HK$3,904,259,000) and the cash and bank deposits of the Group amounted to approximately HK$946,324,000 (2022: HK$1,018,114,000), which included cash and cash equivalents of approximately HK$808,364,000, term deposits of approximately HK$127,035,000 and restricted cash of approximately HK$10,925,000. As at 31 December 2023, the Group had consolidated current assets of approximately HK$1,875,411,000 and its current ratio was approximately 0.46. As at 31 December 2023, the Group had a gearing ratio of approximately 56%. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and lease liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents and term deposits. Total capital is calculated by adding total equity and net debt.

Borrowings Structure

As at 31 December 2023, the total borrowings of the Group amounted to approximately HK$3,905,630,000 (2022: HK3,904,259,000). Syndicated borrowing was denominated in USD, carrying the interest at the rate of 2.6% plus SOFR per interest period. Secured borrowings from PRC banks were denominated in RMB and carried interest rates from 3.00% to 5.00% per annum. Unsecured borrowing from bank was denominated in HK$, carrying interests at rates of 2.35% plus Hong Kong InterBank Offered Rate ("**HIBOR**"). Other secured borrowings carry interests at the rates ranging from 4.10% to 4.25% per annum. As at 31 December 2023, short-term borrowings and the current portion of long-term borrowings amounted to approximately HK$1,846,244,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' Opinion on Sufficiency of Working Capital

As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately HK$2,176,549,000. The Group's ability to continue as a going concern largely depends on the sufficiency of financial resources available to the Group. The Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2023.

Exposure to Exchange Rate Fluctuations

The majority of the Group's transactions are denominated in the functional currency of the respective group entities. Part of the deposits and bank borrowings of the Group are denominated in HK Dollars and US Dollars which expose the Group to certain foreign currency risks. For the year ended 31 December 2023, net foreign exchange loss for the financing activities amounted to approximately HK$32 million. The Group does not currently have a foreign currency hedging policy. However, the management of the Company has been monitoring foreign exchange risks and will consider hedging significant foreign currency exposure should the need arise.

Charge on the Group's Assets

As at 31 December 2023, the Group had restricted cash of HK$10,925,000 (2022: HK$172,864,000). The net carrying amount of pipelines and equipment as at 31 December 2023 amounting to approximately HK$701,867,000 were pledged as security for the borrowings.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities.

PROSPECTS

Stepping into the year 2024, the Organisation for Economic Co-operation and Development (OECD) forecast a growth rate of 4.7% for China's economy. The Central Economic Work Conference put forward a series of strategies, including seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old, emphasising the need to strengthen counter-cyclical and cross-cyclical adjustments in macro policies, and to continue to implement proactive fiscal policies and sound monetary policies. The Group believes that with the government's multi-pronged approach, the industries will obtain favourable development. The government's continuous promotion of the construction of a natural gas production, supply, storage and marketing system, and its commitment to maintaining the supply of natural gas, stabilising and rationalising the price of natural gas, will promote the high-quality development of the natural gas industry. The China-Russia East-Route Natural Gas Pipeline Project has been completed and is expected to reach its full capacity of 38 billion cubic metres by 2025. Demand for natural gas in Mainland China will continue to grow at a rapid pace due to the easing of natural gas prices and the recovery of the domestic economy. According to ICIS forecasts, China's LNG imports will rebound from more than 70 million tonnes in 2023 to 80 million tonnes in 2024, surpassing the 2021 record of 78.79 million tonnes. The energy sector is poised for another record year in 2024 as the supply and demand situation for natural gas improves this year. The Group will also pay close attention to geopolitical risks and market conditions to ensure a healthy development of the Company.

The Group has always been committed to becoming an advocate and supplier of integrated energy in China, focusing on providing industrial and commercial users as well as urban residents with a full range of safe, reliable and environmentally friendly energy solutions. In 2024, the Group will continue to excel in its core business of gas supply, actively explore pipeline gas and pipeline transmission customers through the gradual formation of an integrated upstream and downstream supply chain, to continuously reduce gas procurement costs and enhance profitability. In addition, the Group will continue to develop diversified value-added businesses, which are expected to drive the rapid growth for the Group in the coming years. The Group will continue to demonstrate its true nature as a state-owned enterprise and fulfil its mission of green development while steadily pursuing business excellence. The Group will proactively respond to the nation's clean energy development strategy and the "Double Carbon Target", proactively seize the opportunities arising from the restructuring process, systematically push forward the "Double Carbon" initiative by comprehensively uplift its management standard, to create a green and low-carbon value chain. With the support of our shareholders and governments at all levels, we will grasp the opportunities for market-oriented reforms during the "14th Five-Year Plan" period, focus on the revenue growth of our main business, further consolidate our core role as a stabilizer of the industry, extend the industrial chain relying on our main business, and proactively develop value-added services and the integrated energy business. Through deep exploration of the core market and creation of new growth points of profit to achieve sustainable development, the Group will strive to bring substantial return to the investments of the shareholders.

EMPLOYEES

As at 31 December 2023, the Group had 1,752 employees (2022: 1,722 employees). For the year ended 31 December 2023, the salaries and wages of the employees amounted to approximately HK$222 million (2022: HK$216 million) and among these, approximately HK$58 million were recorded in research and development expenses (2022: HK$42 million).

REMUNERATION POLICY

The remuneration of the employees of the Group is determined by reference to the market rates, and the performance, qualification and experience of the relevant employee. Also, a discretionary bonus based on individual performance during the year is distributed to reward the contributions of employees to the Group. The Group also provides training opportunity and other benefits to its employees, including pension insurance, unemployment insurance, injury insurance, medical insurance, maternity insurance and housing fund, etc. In addition, a share option scheme was adopted on 13 January 2021 as an incentive and award plan for senior management and personnel of the Group.

CORPORATE GOVERNANCE PRACTICES

The Board is in charge of the management of the entire business of the Group and assumes overall responsibility for the leadership and control of the Group, collectively being responsible for promoting the success of the Group through giving instructions and supervising its business. The Board believes that good corporate governance practices would strengthen investors' confidence, facilitate the development of the Group, and increase transparency of the operation of the Group, all of which are in the long term interest of the Group and the shareholders of the Company ("**Shareholders**"). For the year ended 31 December 2023, the Company had fully complied with the code provisions set out in Appendix C1 (Corporate Governance Code) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in accordance with Rule 3.21 of the Listing Rules. The Audit Committee comprises four independent non-executive Directors, namely Mr. LAU Siu Ki, Kevin (chairman), Mr. IP Shing Hing, *B.B.S., J.P.*, Professor Japhet Sebastian LAW and Dr. TANG Lai Wah, and Mr. LAU Siu Ki, Kevin and Dr. TANG Lai Wah are qualified accountants.

The Audit Committee has reviewed the consolidated financial results of the Group for the year ended 31 December 2023 and has provided advice and comments thereon.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") under Appendix C3 to the Listing Rules. Trading of securities by Directors shall be approved by the chairman of the Board and shall be conducted in accordance with the time frame and the number of securities approved.

All Directors have confirmed, following specific enquiries by the Company that they have complied with the required standard of dealings as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2023.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's other listed securities during the year ended 31 December 2023.

FINAL DIVIDEND

The Board has recommended a final dividend for the year ended 31 December 2023 of HK$0.076 per ordinary share of the Company (final dividend for the year ended 31 December 2022: HK$0.10 per ordinary share) (the "**Final Dividend**"). Shareholders will be given the option to elect to receive the Final Dividend entirely in new ordinary shares, partly in new ordinary shares and partly in cash, or entirely in cash. The Scrip Dividend Scheme is subject to HKEx granting the listing of and permission to deal in the new ordinary shares to be issued pursuant thereto.

After approval by the Shareholders at the forthcoming annual general meeting proposed to be held on 10 May 2024, the Final Dividend (in the form of cash or scrip) is expected to be paid on or around 19 July 2024 to those Shareholders whose names appear on the register of members of the Company as at 19 June 2024, being the record date for such dividend (the "**Eligible Shareholders**"). A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or around 24 June 2024. It is expected that the Final Dividend warrants and certificates for the new ordinary shares (in case the Eligible Shareholders have elected to receive part or all their Final Dividend in the form of new ordinary shares) will be dispatched to the Eligible Shareholders on or around 19 July 2024.

The dates of closure of register of members of the Company for the purpose of determining the identity of the Shareholders entitled to the Final Dividend and to attend and vote at the forthcoming annual general meeting will be announced later.

ISSUANCE OF ANNUAL REPORT

The Annual Report for the year ended 31 December 2023 will be published on or about 12 April 2024.

On behalf of the Board
Binhai Investment Company Limited
Gao Liang
Executive Director

Hong Kong, 25 March 2024

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Hu Hao, Mr. Wang Xin and Mr. Gao Liang, two non-executive Directors, namely, Mr. Shen Hong Liang and Mr. Yu Ke Xiang and four independent non-executive Directors, namely, Mr. Ip Shing Hing, B.B.S., J.P., Mr. Lau Siu Ki, Kevin, Professor Japhet Sebastian Law and Dr. Tang Lai Wah.

** For identification purpose only*