BEIJING GAS BLUE SKY HOLDINGS LIMITED
北京燃氣藍天控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 6828)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- The Group reported revenue of HK$2,150.3 million for FY2023 (FY2022: HK$1,568.5 million), representing an increase of 37.1% as compared to FY2022. The Group's total gross profit was HK$65.4 million for FY2023 (FY2022: HK$49.6 million), representing an increase of 31.9% as compared to FY2022. The Group's gross profit margin decreased from 3.2% for FY2022 to 3.0% for FY2023.

- In FY2023, the Group's total gas sales volume amounted to 733.6 million m^3 (FY2022: 379.1 million m^3), representing a significant increase of 93.5% as compared to the corresponding period of last year, which was mainly due to (i) the increase in the demand for natural gas in FY2023; and (ii) the completion of the Company's acquisition of the city gas project located in Teng County, Guangxi at the end of 2022, driving a growth of the city gas business of the Group significantly.

- Profit for FY2023 of the Group was HK$102.6 million (FY2022: HK$11.6 million), representing an increase of 786.0% as compared to FY2022. Profit attributable to the shareholders of the Company was HK$91.3 million (FY2022: HK$18.6 million), representing an increase of 390.9% as compared to FY2022. The increase in profit for the Year of the Group was mainly due to (i) the completion of the Group's acquisition of the city gas project in Teng County, Guangxi at the end of 2022, which made contribution to the Group's city gas business and the Group's profit for the year; (ii) the increase in the profit attributable to the project of PetroChina Jingtang LNG Co., Ltd. (中石油京唐液化天然氣有限公司) during the Year as compared to FY2022; and (iii) the decrease in legal and professional fees incurred during the Year as compared to FY2022, as the expenses for the relevant professional services for the resumption of trading in the shares of the Company have been recognized by the Group in FY2022 and such expenses incurred are non-recurring items.

- EBITDA amounted to HK$416.7 million in FY2023 (FY2022: HK$234.3 million), representing an increase of 77.9% as compared to FY2022.

- Basic and diluted earnings per share for FY2023 were HK0.40 cents (FY2022: HK0.14 cents).

- The Board did not declare a final dividend for FY2023 (FY2022: Nil).

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Beijing Gas Blue Sky Holdings Limited (the "**Company**" or "**Beijing Gas Blue Sky**") hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 ("**FY2023**" or "**the Year**") together with the comparative figures for the year ended 31 December 2022 ("**FY2022**") as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023** **HK$'000**	2022 HK$'000
REVENUE	5	**2,150,279**	1,568,466
Cost of sales		**(2,084,905)**	(1,518,890)
Gross profit		**65,374**	49,576
Other income and gains, net	6	**77,462**	86,305
Administrative expenses		**(163,123)**	(177,145)
Reversal of impairment of financial assets, net	8	**11,908**	36,530
Other expenses, net	8	**(23,509)**	(77,611)
Finance costs	7	**(193,002)**	(133,940)
Share of profits and losses of:			
Joint ventures		**85**	(4,298)
Associates		**335,769**	242,904
PROFIT BEFORE TAX	8	**110,964**	22,321
Income tax	9	**(8,324)**	(10,737)
PROFIT FOR THE YEAR		**102,640**	11,584
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**12,148**	(52,009)
Share of other comprehensive loss of joint ventures and associates		**(55,916)**	(153,166)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		**(43,768)**	(205,175)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**58,872**	(193,591)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December 2023

	Note	**2023** **HK$'000**	2022 HK$'000
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**91,291**	18,645
Non-controlling interests		**11,349**	(7,061)
		102,640	11,584
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**54,038**	(177,678)
Non-controlling interests		**4,834**	(15,913)
		58,872	(193,591)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	11	**0.40**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2023

	Note	**2023** **HK$'000**	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**557,041**	627,733
Investment properties		**67,782**	73,415
Right-of-use assets		**49,036**	47,756
Goodwill		**770,083**	777,044
Operating rights		**376,425**	409,565
Investments in joint ventures		**21,163**	24,719
Investments in associates		**1,980,279**	1,893,268
Prepayments, deposits and other receivables		**1,549**	2,027
Equity investments at fair value through other comprehensive income		**470**	474
Total non-current assets		**3,823,828**	3,856,001
CURRENT ASSETS			
Inventories		**18,762**	20,255
Trade receivables	12	**86,745**	111,821
Contract assets		**29,732**	42,968
Prepayments, deposits and other receivables		**459,486**	519,930
Due from joint ventures		**41,278**	79,171
Due from associates		**193,479**	7,458
Due from related parties		**21,580**	11,827
Financial assets at fair value through profit or loss		**90**	127
Income tax recoverable		**1,228**	1,041
Restricted cash and pledged deposits		**9,215**	16,051
Cash and cash equivalents		**401,344**	554,062
Total current assets		**1,262,939**	1,364,711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2023

	Note	**2023** **HK$'000**	2022 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	13	**128,294**	131,039
Other payables and accruals		**417,859**	460,771
Due to joint ventures		**21,929**	63,837
Due to associates		**2,681**	–
Income tax payables		**58,528**	61,715
Bank and other borrowings		**1,648,783**	1,700,276
Lease liabilities		**6,263**	5,931
Provision for litigations		**–**	43,987
Total current liabilities		**2,284,337**	2,467,556
NET CURRENT LIABILITIES		**(1,021,398)**	(1,102,845)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,802,430**	2,753,156
NON-CURRENT LIABILITIES			
Bank and other borrowings		**785,685**	770,512
Convertible bond		**274,366**	236,263
Lease liabilities		**17,141**	9,116
Deferred tax liabilities		**99,310**	108,090
Total non-current liabilities		**1,176,502**	1,123,981
NET ASSETS		**1,625,928**	1,629,175
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		**1,250,486**	1,250,486
Reserves		**160,206**	106,168
		1,410,692	1,356,654
Non-controlling interests		**215,236**	272,521
TOTAL EQUITY		**1,625,928**	1,629,175

NOTES

1. CORPORATE AND GROUP INFORMATION

Beijing Gas Blue Sky Holdings Limited (the "**Company**") was incorporated in Bermuda as an exempted company with limited liability. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office and the principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 3402-4, 34/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, respectively.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in:

- development and operation of city gas projects, including sale of natural gas to residential, industrial and commercial users through pipelines, provision of related value-added services, such as repair and maintenance services and pipeline construction services;
- direct liquefied natural gas ("**LNG**") supply to industrial end users;
- trading and distribution of compressed natural gas ("**CNG**"), LNG, fuel oil and other related oil by-products as a wholesaler to industrial and commercial users; and
- operation of CNG and LNG refueling stations for vehicles.

At 31 December 2023, the immediate holding company of the Company is Beijing Gas Company Limited ("**Beijing Gas HK**"), which is incorporated in Hong Kong with limited liability and, in the opinion of the directors, the ultimate holding company of the Company is 北京控股集團有限公司 ("**Beijing Enterprises Group**"), which is a state-owned enterprise established in the People's Republic of China (the "**PRC**") and wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

2.1 BASIS OF PRESENTATION

Despite that the Group had net current liabilities of approximately HK$1.0 billion as at 31 December 2023, the directors of the Company consider that the Group will have adequate funds available to enable it to operate as a going concern after taking into account, inter alia, the historical operating performance of the Group, the dividend expected to be distributed by an associate, the existing loan facilities available to the Group from banks and a fellow subsidiary and continuing financial support from the Company's holding companies.

Accordingly, these financial statements have been prepared on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business.

2.2 BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all applicable individual IFRSs, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollar, which is the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interests and the exchange fluctuation reserve and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements:

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

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in the consolidated financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. The amendments did not have any impact on the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

(a) City gas operation – sale of natural gas to residential, industrial and commercial users through pipelines, provision of value-added services such as repair and maintenance services, pipeline construction services and others. Share of results of an associate, which is engaged in provision of port facilities for vessels and re-gasification of LNG was also included in this segment

(b) Direct supply to industrial users – direct LNG supply to industrial users through direct supply facilities

(c) Trading and distribution of natural gas – trading and distributing of CNG, LNG, fuel oil and other related oil by products as a wholesaler to industrial users

(d) Natural gas refueling stations – operation of CNG and LNG refueling stations for vehicles

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss) for the year. The segment profit/(loss) is measured consistently with the Group's profit before tax except that loss on disposal of subsidiaries, reversal of provision for litigations, unallocated other income and gains, finance costs, reversal of impairment of unallocated assets, as well as head office and corporate income and expenses are excluded from such measurement.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segment:

Year ended 31 December 2023

	City gas operation HK$'000	Direct supply to industrial users HK$'000	Trading and distribution of natural gas HK$'000	Natural gas refueling stations HK$'000	Total HK$'000
External segment revenue	**982,838**	**26,854**	**1,106,728**	**33,859**	**2,150,279**
Segment profit/(loss)	**415,066**	**(8,418)**	**(22,043)**	**(21,865)**	**362,740**
Unallocated other income and gains, net					**38,777**
Unallocated corporate expenses					**(96,746)**
Finance costs					**(193,002)**
Impairment of unallocated assets					**(805)**
Profit before tax					**110,964**

Year ended 31 December 2022

	City gas operation HK$'000	Direct supply to industrial users HK$'000	Trading and distribution of natural gas HK$'000	Natural gas refueling stations HK$'000	Total HK$'000
External segment revenue	551,583	45,388	927,354	44,141	1,568,466
Segment profit/(loss)	206,360	(9,869)	(28,354)	(3,626)	164,511
Unallocated other income and gains, net					47,620
Unallocated corporate expenses					(102,678)
Finance costs					(133,940)
Reversal of impairment of unallocated assets					46,808
Profit before tax					22,321

Geographical information

No geographical information is presented as more than 90% of the revenue during each of the years ended 31 December 2023 and 2022 were derived from Chinese Mainland and more than 90% of the non-current assets of the Group (other than financial assets and deferred tax assets) as at 31 December 2023 and 2022 were located in Chinese Mainland.

Information about major customers

No single external customer contributed 10% or more of the Group's revenue during each of the years ended 31 December 2023 and 2022.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2023 HK$'000	2022 HK$'000
City gas operation	**982,838**	551,583
Direct supply to industrial users	**26,854**	45,388
Trading and distribution of natural gas	**1,106,728**	927,354
Natural gas refueling stations	**33,859**	44,141
	2,150,279	1,568,466

6. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net for the year is as follows:

	2023	2022
	HK$'000	HK$'000
Other income		
Bank interest income	**3,218**	1,315
Rental income	**3,361**	5,264
Government subsidies and grants^	**38,072**	41,470
Others	**32,848**	19,629
	77,499	67,678
Gains, net		
Changes in fair value of financial assets at fair value through profit or loss	**(37)**	–
Gain on derecognition of financial assets at amortised cost#	**–**	18,627
	(37)	18,627
Other income and gains, net	**77,462**	86,305

^ Amounts mainly represented government subsidies received by a subsidiary of the Group, which engaged in city gas operation, during prior and current years from a local government in the PRC to alleviate the negative impact of the increase in gas purchase price on its financial performance and cash flows as a result of the fact that the subsidiary is not able to increase the gas selling price, which is regulated by the local government. The Group classified such subsidies as other income in these financial statements instead of revenue in the prior years. Accordingly, the comparative amounts of revenue and other income in respect of the year ended 31 December 2022 have been reduced and increased by HK$38,685,000, respectively.

During the year ended 31 December 2022, in lieu of cash settlement, a debtor settled an overdue loan receivable amounting to approximately HK$11 million by way of a property located in Beijing with a then fair value of approximately HK$30 million. A gain on derecognition of the loan receivable amounting to approximately HK$19 million was recognised in profit or loss during 2022.

7. FINANCE COSTS

An analysis of finance costs for the year is as follows:

	2023	2022
	HK$'000	HK$'000
Interest expense on bank borrowings	**84,184**	91,809
Interest expense on corporate bonds	**23,509**	35,831
Interest expense on other loans	**1,637**	5,377
Interest expense on convertible bond	**38,103**	–
Interest expense on a loan from the immediate holding company	**44,505**	–
Interest expense on lease liabilities	**1,064**	923
	193,002	133,940

8. PROFIT BEFORE TAX

The Group's profit before tax for the year was arrived at after charging/(crediting):

	2023 **HK$'000**	2022 HK$'000
Cost of inventories sold	**1,970,458**	1,439,038
Cost of services provided	**17,852**	15,770
Depreciation of property, plant and equipment	**76,476**	58,445
Depreciation of investment properties	**3,320**	2,824
Depreciation of right-of-use assets	**12,855**	11,120
Amortisation of operating rights*	**20,119**	5,637
Lease payments not included in the measurement of lease liabilities	**1,144**	845
Reversal of impairment of financial assets, net:		
Trade receivables	**(2,350)**	(5,051)
Prepayments, deposits and other receivables	**(9,558)**	(31,479)
	(11,908)	(36,530)
Impairment of property, plant and equipment[&]	**18,706**	8,000
Reversal of provision for litigations[&]	**(49,102)**	(30,571)

* The amortisation of operating rights for the year is included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

& These items are included in "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX

	2023 **HK$'000**	2022 HK$'000
Current – Chinese Mainland		
Charge for the year	**13,848**	12,417
Deferred	**(5,524)**	(1,680)
Total tax expense for the year	**8,324**	10,737

No provision for Hong Kong profits tax has been made for the year ended 31 December 2023 as the Group did not generate any assessable profits arising in Hong Kong during the year (FY2022: Nil).

The income tax provisions in respect of operations in Chinese Mainland are calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

10. DIVIDEND

The board of directors of the Company did not recommend the payment of a dividend for the years ended 31 December 2023 and 2022.

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to shareholders of the Company of HK$91,291,000 (FY2022: HK$18,645,000), and the weighted average number of ordinary shares of 22,736,114,715 (FY2022: 13,039,539,373) in issue during the Year.

No adjustment has been made to the basic earnings per share amounts presented for each of the years ended 31 December 2023 and 2022 for a dilution as the convertible bond of the Company outstanding during these years had no dilutive effect on the basic earnings per share amounts presented.

12. TRADE RECEIVABLES

	2023 **HK$'000**	2022 HK$'000
Trade receivables	**240,540**	286,393
Impairment	**(153,795)**	(174,572)
	86,745	111,821

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, was as follows:

	2023 **HK$'000**	2022 HK$'000
Unbilled portion* and billed within 3 months		
Billed:	**33,741**	70,894
4 to 6 months	**2,348**	8,898
7 to 12 months	**20,361**	3,958
Over 1 year	**30,295**	28,071
	86,745	111,821

* *The unbilled balance was attributable to sale of natural gas near the period end date and such sale will be billed in one month after each of the reporting periods.*

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, was as follows:

	2023	2022
	HK$'000	HK$'000
Billed:		
Within 3 months	**30,542**	24,780
4 to 6 months	**12,877**	19,362
7 to 12 months	**23,029**	9,553
Over 1 year	**42,180**	53,748
	108,628	107,443
Unbilled*	**19,666**	23,596
	128,294	131,039

* *The unbilled balance was attributable to purchase of natural gas near the period end date and such purchase will be billed in one month after each of the reporting periods.*

14. COMPARATIVE AMOUNTS

Save as disclosed in note 6 above, certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2023, with the steady social and economic recovery, the market demand for natural gas recovered, and the demand for city gas and industrial gas picked up due to the factors such as stimulation of energy policies, increase in resource supply and decrease in the costs of gas supply. According to the National Bureau of Statistics of the People's Republic of China (the "**PRC**"), China produced 229.7 billion cubic meters ("**m^3**") quality industrial natural gas in 2023, representing a year-on-year increase of 5.8%. Imported natural gas amounted to 119.97 million tons, representing a year-on-year increase of 9.9%. According to the statistics from the National Development and Reform Commission of the PRC (the "**NDRC**"), the apparent consumption of natural gas in China was 394.53 billion m^3 in 2023, representing a year-on-year increase of 7.6%.

Over the past year, the PRC continued to implement active fiscal policies and prudent monetary policies, along with accurate and effective macro-control, in order to promote high-quality economic development in a solid manner. Under the goals of "carbon peaking" and "carbon neutrality", the global energy structure is accelerating its transformation towards a clean, low-carbon and diversified energy system. Natural gas will become the key fossil energy for medium- and long-term development due to a gradual decline in coal and oil consumption. Since 2023, China has introduced policies to develop natural gas energy. In March 2023, the National Energy Administration issued the "Action Plan for Accelerating the Integrated Development of Oil and Gas Exploration and Development with New Energy (2023-2025)" (《加快油氣勘探開發與新能源融合發展行動方案（2023-2025年）》), which puts forward three major goals of steady growth in oil and gas supply, significant effect of green development, and significant acceleration of industry transformation, as well as coordinates the promotion of onshore oil and gas exploration and wind and photovoltaic power generation, offshore oil and gas exploration and wind power construction, accelerates the enhancement of the upstream oil and gas new energy storage and consumption capacity, and actively advances the demonstration construction of green oil and gas fields. In September 2023, the National Energy Administration issued the "Natural Gas Utilisation Policy (Draft for Comments)" (《天然氣利用政策(徵求意見稿)》) to further expand the area of natural gas utilisation, optimise the direction of utilisation, and promote the high-quality development of the natural gas industry. As a member of the energy system, the Group has continued to facilitate the application and promotion of natural gas in energy transformation, and has advanced the steady development of the natural gas business, while actively participating in energy transformation and accelerating the deployment of the new energy business.

BUSINESS REVIEW

In 2023, the Group captured the opportunities arising from industry recovery, promoted each business in an orderly manner, continuously consolidated the foundation of gas segment, and accelerated the deployment of the new energy industry. The Group's total gas sales volume for the year ended 31 December 2023 ("**FY2023**" or "**the Year**") amounted to 733.6 million m^3 (for the year ended 31 December 2022 ("**FY2022**"): 379.1 million m^3), representing a significant increase of 93.5% over last year, which was mainly due to (i) the increase in the demand for natural gas in FY2023; and (ii) the completion of the Company's acquisition of the city gas project located in Teng County, Guangxi at the end of FY2022, driving a growth of the city gas business of the Company significantly.

During the Year, the revenue of the Group was HK$2,150.3 million (FY2022: HK$1,568.5 million), representing an increase of 37.1% as compared to FY2022, which was primarily due to (i) the increase in revenue from the natural gas trading and distribution business; and (ii) the contribution of the revenue from the city gas business in Teng County, Guangxi that was acquired by the Company at the end of 2022. The total gross profit of the Group was HK$65.4 million (FY2022: HK$49.6 million), representing an increase of 31.9% as compared to FY2022. The Group's gross profit margin was 3.0% for FY2023 (FY2022: 3.2%), representing a decrease as compared to FY2022. For FY2023, the Group's profit was HK$102.6 million (FY2022: HK$11.6 million), representing an increase of 786.0% as compared to FY2022. Profit attributable to the shareholders of the Company was HK$91.3 million (FY2022: HK$18.6 million), representing an increase of 390.9% as compared to FY2022. The increase was mainly due to (i) the completion of the Group's acquisition of the city gas project in Teng County, Guangxi at the end of 2022, which made contribution to the Group's city gas business and the Group's profit for the year in the Year; (ii) the increase in the profit attributable to the project of PetroChina Jingtang LNG Co., Ltd.（中石油京唐液化天然氣有限公司）during the Year as compared to FY2022; and (iii) the decrease in recognition of legal and professional fees during the Year as compared to FY2022, as the expenses for the relevant professional services for the resumption of trading in the shares of the Company have been recognized by the Group in FY2022 and such expenses incurred are non-recurring items.

As at 31 December 2023, the Group's natural gas projects mainly covered a total of 11 provinces, municipalities and autonomous regions in the PRC, details of which are set out below:

Location	LNG/CNG refueling stations Approximate sales volume (m^3)	City gas Approximate sales volume (m^3)	Direct supply Approximate sales volume (m^3)	Trading and distributions Approximate sales volume (m^3)	Subtotal Approximate sales volume (m^3)	LNG processing Approximate processing volume (m^3)	Total Approximate volume (m^3)
Subsidiaries:							
Zhejiang Province	–	–	–	251,214,184	251,214,184	–	251,214,184
Guangxi Zhuang Autonomous Region	–	140,967,200	498,700	–	141,465,900	–	141,465,900
Guangdong Province	–	–	–	120,333,130	120,333,130	–	120,333,130
Shanxi Province	2,183,977	99,513,850	–	–	101,697,827	–	101,697,827
Anhui Province	740,906	–	3,839,645	40,809,730	45,390,281	–	45,390,281
Jilin Province	2,619,459	39,470,857	–	–	42,090,316	–	42,090,316
Shanghai Municipality	–	–	–	15,441,653	15,441,653	–	15,441,653
Hainan Province	4,374,284	–	1,321,931	1,264,300	6,960,515	–	6,960,515
Liaoning Province	–	4,897,085	–	–	4,897,085	–	4,897,085
Beijing Municipality	–	–	–	4,127,340	4,127,340	–	4,127,340
Subtotal	9,918,626	284,848,992	5,660,276	433,190,337	733,618,231	–	733,618,231
Associates:							
Hebei Province	–	–	–	–	–	6,906,925,160	6,906,925,160
Hainan Province	27,138,429	–	–	40,440,000	67,578,429	–	67,578,429
Subtotal	27,138,429	–	–	40,440,000	67,578,429	6,906,925,160	6,974,503,589
Total	37,057,055	284,848,992	5,660,276	473,630,337	801,196,660	6,906,925,160	7,708,121,820

Financial highlights:

Year ended 31 December	**2023**	2022	Change
	HK$'000	HK$'000	%
Revenue	**2,150,279**	1,568,466	37.1
Gross profit	**65,374**	49,576	31.9
Gross profit ratio (in percentage)	**3.0%**	3.2%	(6.3)
Profit for the year	**102,640**	11,584	786.0
Profit attributable to shareholders of the Company	**91,291**	18,645	389.6
Basic EPS	**HK0.40 cents**	HK0.14 cents	185.7
EBITDA	**416,736**	234,287	77.9

31 December	**2023**	2022	Change
	HK$'000	HK$'000	%
Cash and cash equivalents	**401,344**	554,062	(27.6)
Total assets	**5,086,767**	5,220,712	(2.6)
Total equity	**1,625,928**	1,629,175	(0.2)

Development and Operation of City Gas Business

According to the report of the 20th CPC National Congress, acceleration of development by way of green transformation, and promotion of green and low-carbon economic and social development are the keys to achieving high-quality development. Natural gas, as clean and low-carbon fossil energy, is an important component in replacing high-carbon energy and securing energy supply under the carbon peaking and carbon neutrality goals. The proportion of natural gas in the energy structure is expected to continue to rise in the future. In addition, with the deepening of China's new urbanisation, the population of cities will continue to grow, and the demand for city gas as clean and efficient energy is expected to continue to increase. Driven by the above factors, the natural gas industry will continue to maintain rapid development, providing opportunities for the Group's city gas business.

During FY2023, the Group had 6 city gas projects which were principally located in Guangxi Zhuang Autonomous Region and Shanxi Province. Details of the operation performance of the Group's development and operation of city gas business for FY2023 are set out below:

	FY2023	FY2022	Change %
Natural gas volume sold (million m^3)	284.8	134.6	111.6
– Residential users	76.1	71.2	6.9
– Non-residential users	208.8	63.4	229.3

The volume of natural gas sold to residential users and non-residential users reached approximately 284.8 million m^3 (FY2022: approximately 134.6 million m^3), representing an increase of 111.6% as compared to FY2022, which was mainly due to the Group's acquisition of the city gas business operator in Teng County, Guangxi Zhuang Autonomous Region, the PRC (the "**Guangxi Teng County Project**") at the end of 2022, and the city gas sales volume of the project was reflected in FY2023. During the Year, the Group connected gas pipelines for 32,286 new users and the accumulated number of users reached 536,285, of which 32,089 were new residential users and the accumulated number of residential users reached 532,618; the Group secured 197 new industrial and commercial users and the accumulated industrial and commercial users reached 3,667.

In FY2023, the Group's city gas business recorded an income of HK$982.8 million (FY2022: HK$551.6 million), which included a connection fee income of HK$109.4 million (FY2022: HK$91.9 million), representing an increase of 19.0% as compared to FY2022. The increase in connection fee income was mainly due to the increase of connection services provided for industrial users as compared to FY2022. For income from natural gas sales, it recorded approximately HK$873.4 million (FY2022: HK$459.7 million), representing an increase of 90.0% as compared to FY2022. The significant increase was mainly due to the realization of the sales volume of the Group's high-quality city gas asset Guangxi Teng County Project in the results for the Year.

The Group, upon completion of the capital increase and asset injection at the end of FY2022, strengthened its portfolio of high-quality assets under the city gas business segment. During FY2023, gas sales volume under city gas business also recorded a remarkable growth, up by 111.6% as compared to FY2022. Benefiting from the development of city gas business of the the Guangxi Teng County Project, the Group's city gas business segment was further expanded. In the future, the Group will continue to optimise its city gas asset portfolio, and to maximise profits in order to create greater returns for shareholders while achieving high-quality and sustainable development.

Trading and Distribution of LNG and CNG Business

During FY2023, the Group recorded a total trading volume of 433.2 million m^3 (FY2022: 227.1 million m^3), representing an increase of 90.8% as compared to FY2022 and the sales of trading and distribution segment amounted to HK$1,106.7 million (FY2022: HK$927.4 million). The significant growth in sales volume of the business segment was primarily due to the rise in the demand for natural gas, driving the development of the Group's natural gas trading business in Southern China.

In 2023, global natural gas prices continued to fall from their peak levels at the beginning of the year due to the easing of the energy crisis caused by the Russian-Ukrainian conflict and the increase in production volume in the U.S., which drove the growth in demand for natural gas. The Group kept abreast with the trend and seized the favourable opportunity of the fall in international gas prices to adjust its gas source procurement strategy and optimise the gas source supply structure, while continuously deepening its cooperation with the upstream suppliers to meet its business needs. In October 2023, the Group entered into the master agreement for the purchase of natural gas with Beijing Gas Group Co., Ltd.（北京市燃氣集團有限責任公司）("**Beijing Gas Group**"), the controlling shareholder of the Group, for a term commencing from 1 January 2024 to 31 December 2026 (both days inclusive). Further details are set out in the Company's circular dated 6 December 2023. The agreement was approved at the special general meeting in December 2023. Such action also demonstrates that the Company is supported by Beijing Gas Group in terms of gas source, which is conducive to the Company's business development.

LNG Receiving Terminal Project

As at 31 December 2023, the Group owned 29% equity interests in PetroChina Jingtang. The LNG receiving terminal of PetroChina Jingtang is the main winter peak loading and supply station in the Beijing-Tianjin-Hebei region with the largest storage capacity and the strongest peak loading capacity in the PRC. Facilities such as supporting dedicated dock and export pipelines have been constructed and the storage capacity has reached 1.28 million m^3, and can supply about 4 billion m^3 of natural gas to the Beijing-Tianjin-Hebei region annually. At peak times, the gas supply by such facilities of PetroChina Jingtang to Beijing can account for about 40% of the total consumption in Beijing.

During FY2023, the total throughput volume of LNG of the PetroChina Jingtang Project amounted to 6,906.9 million m^3 (FY2022: 5,721.4 million m^3), representing an increase of 20.7% as compared to FY2022, which was mainly due to the decrease in natural gas prices and the increase in market demand, which resulted in the increase in throughput volume and gas volume transported through gasification of LNG.

Other Businesses

During the Year, the Group recorded an income of HK$26.9 million (FY2022: HK$45.4 million) from its direct supply to industrial users business, representing a decrease of 40.8% as compared to FY2022, and sold 5.7 million m^3 (FY2022: 8.9 million m^3) of natural gas. For the LNG and CNG refueling station business, the Group recorded gas sales of 9.9 million m^3 (FY2022: 8.5 million m^3) and sales income of HK$33.9 million (FY2022: HK$44.1 million), representing a decrease of 23.3% as compared to FY2022.

The report of the 20th CPC National Congress pointed out the need to actively and steadily promote carbon peaking and carbon neutrality by leveraging China's own energy resources, adhering to the principle of "construction before destruction", implementing carbon peaking actions in a planned and step-by-step manner, accelerating the planning and construction of a new energy system, and actively participating in the global governance in response to climate change. In order to facilitate the upgrading of the energy industry, during the reporting period, the Group continued to expand the comprehensive advantages of "gas sources as well as the end-users", and accelerated the expansion of its integrated energy business.

On 14 June 2023, the Company announced that it entered into a strategic cooperation framework agreement with Beijing Guoneng Guoyuan Energy Technology Co., Ltd* (北京國能國源能源科技有限公司) to carry out relevant cooperation in the fields of new energy, light asset business, and technology research and development. Further details are set out in the announcement of the Company dated 14 June 2023.

On 19 December 2023, Shenzhen Huaran Energy Co., Ltd.*（深圳華然能源有限公司）(as purchaser), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Agreement**") with Tractebel Engineering S.A. (as vendor), to acquire 49% of the equity interest in Beijing United Energy Engineering & Technology Company Limited*（北京優奈特能源工程技術有限公司）("**Beijing United**"), an enterprise in the technology space that is principally engaged in the planning, designing and consulting of gas, heat, comprehensive energy utilisation and new energy power generation projects, from Tractebel Engineering S.A. at a consideration of RMB41,650,000 (the "**Acquisition**"). The remaining 51% equity interest in Beijing United is beneficially owned by Beijing Enterprises Group, a controlling shareholder of the Company. The Acquisition constituted a discloseable and connected transaction under the Listing Rules. The Acquisition is expected to be completed on or before 30 June 2024. For details, please refer to the Company's announcements dated 19 December 2023 and 17 January 2024.

All of these actions demonstrate the Company's dedication to the new energy transformation and its commitment to searching for new opportunities.

In the future, with the support of the controlling shareholder, the Group will make continuous efforts in the integrated energy industry, consider the development of comprehensive distributed energy business, accelerate the business development of energy storage, solar photovoltaic and other renewable energy and clean energy. The Group strives to become a future-oriented integrated clean energy provider with high-quality city gas projects and LNG industry chain as its main business in order to achieve long-term and high-quality development.

FUTURE PROSPECTS

Looking ahead to 2024, there will still be some difficulties and challenges to overcome despite the recovery of China's economy. At present, the insufficient domestic demand of the PRC is still pronounced. Under the general principles of "steady and gradual progress", "promoting stability through progress" and "striving to expand domestic demand", it is expected that the relevant policies will be implemented in a concerted manner, which will be conducive to promoting the sustained recovery of China's economy. The National Energy Working Conference in 2024 emphasised the coordination of high-quality development and high-level safety, in-depth promotion of the energy revolution, acceleration of the construction of a new energy system and a new electricity system, and enhancement in the construction of energy production, supply, storage and sales systems, in an attempt to promote the high-quality development of energy to a new level at a new historical starting point. The Group will keep abreast with the national energy transformation targets in an active manner and integrate the business advantages of the controlling shareholders, namely, Beijing Enterprises Group and Beijing Gas Group, to actively promote the leapfrog development of the Company, as well as improve, optimise and expand the Company's business, in order to continue to create greater returns for shareholders.

The Company is in a critical period of energy transformation, focusing on the development of integrated energy and new energy businesses to build a clean, low-carbon, safe and efficient energy system. The energy transformation is in line with the country's carbon peaking and carbon neutrality policies as well as the rapid development trend of renewable energy, low-carbon energy and new energy supply systems under the national energy development strategy, which will enable the Company to enrich and diversify its investments in addition to traditional natural gas projects. The Company will actively respond to the call of the country and capture the development opportunities arising from the "carbon peaking and carbon neutrality" goals to further optimise its development strategy and vigorously develop new businesses concerning various energy combination, low carbon technologies, energy digitisation and intelligence, and optimisation of traditional energy, thereby enhancing the Company's core competitiveness in the energy industry, and creating new growth points for the Company's business.

FINANCIAL REVIEW

Revenue

Revenue increased by 37.1% from HK$1,568.5 million for FY2022 to HK$2,150.3 million for FY2023, which was mainly due to (i) the increase in income of the natural gas trading and distribution business; and (ii) the contribution of the city gas project located in Teng County, Guangxi acquired by the Company at the end of 2022.

Gross profit and gross profit margin

The Group recorded gross profit of HK$65.4 million for FY2023 which increased by HK$15.8 million from HK$49.6 million for FY2022, representing an increase of 31.9% as compared to the corresponding period of last year. The Group's gross profit margin decreased from 3.2% for FY2022 to 3.0% for FY2023, which was mainly due to the increase in cost of sales caused by continuous upstream price adjustment.

Earnings before interests, tax, depreciation and amortisation

Earnings before interests, tax, depreciation and amortisation was arrived at HK$416.7 million for FY2023 (FY2022: HK$234.3 million), which was mainly due to the increase of the operating profit for the Year.

Other income and gains, net

Other income and gains, net achieved HK$77.5 million (FY2022: HK$86.3 million) in FY2023, which mainly comprised (i) bank interest income of HK$3.2 million (FY2022: HK$1.3 million); (ii) government subsidies and grants of HK$38.1 million (FY2022: HK$41.5 million); and (iii) sundry income of HK$32.8 million (FY2022: HK$19.6 million).

Administrative expenses

The administrative expenses decreased by 7.9% from HK$177.1 million for FY2022 to HK$163.1 million for FY2023. It was mainly due to the decrease in daily operational costs (e.g., staff costs) as a result of the implementation of cost reduction and efficiency enhancement and further improvement of the Group's operational efficiency.

Reversal of impairment of financial assets, net

In FY2023, the reversal of impairment of the Group's financial assets amounted to HK$11.9 million, representing a decrease of HK$24.6 million as compared to the reversal of HK$36.5 million in 2022.

Other expenses, net

Other expenses amounted to HK$23.5 million (FY2022: HK$77.6 million) in FY2023, which was primarily due to the fact that the balance of provision for liabilities in an amount of HK$44.0 million at the end of 2022 was fully reversed. It was mainly due to the decrease in recognition of legal and professional fees during the Year as compared to FY2022, as the expenses for the relevant professional services for the resumption of trading in the shares of the Company have been recognized by the Group in FY2022 and such expenses incurred are non-recurring items.

Finance costs

Finance costs increased by 44.1% from HK$133.9 million for FY2022 to HK$193.0 million for FY2023, which was mainly due to the increase in reference interest rates (i.e. HIBOR) for certain bank and other borrowings of the Group in 2023 as compared to that in 2022.

Income tax

Income tax expense was calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in Chinese Mainland and subsidiaries in Hong Kong for FY2022 and FY2023 respectively. Income tax expense of HK$8.3 million (FY2022: HK$10.7 million) for FY2023 mainly represented the current taxation arising from its subsidiaries in Chinese Mainland of HK$13.8 million (FY2022: current taxation of HK$12.4 million).

Profit attributable to the shareholders of the Company

The Group's profit for the year attributable to the shareholders of the Company amounted to HK$91.3 million for FY2023 (FY2022: HK$18.6 million), representing a significant increase as compared to FY2022, which was mainly due to: (i) the completion of the Group's acquisition of the city gas project in Teng County, Guangxi at the end of 2022, which made contribution to the Group's city gas business and the Group's profit for the year in the Year; (ii) the increase in the profit attributable to the project of PetroChina Jingtang LNG Co., Ltd.*（中石油京唐液化天然氣有限公司）during the Year as compared to FY2022; and (iii) the decrease in recognition of legal and professional fees during the Year as compared to FY2022, as the expenses for the relevant professional services for the resumption of trading in the shares of the Company have been recognized by the Group in FY2022 and such expenses incurred are non-recurring items.

Changes in major items of the consolidated statement of financial position

Non-current assets

Property, plant and equipment mainly represented the carrying amount of city gas projects held by the Group. The decrease in balance of property, plant and equipment of HK$70.7 million as at 31 December 2023 as compared to that at the end of 2022 was mainly due to the effect of (i) the depreciation provided for FY2023; and (ii) the exchange rate fluctuation resulting from depreciation of RMB against HK$ for FY2023.

Goodwill arose from the acquisitions of subsidiaries since 2015.

Operating rights mainly represented the operating rights arising from the acquisition of city gas project business with reference to IFRS 3 (Revised) Business Combinations.

The investment in associates was mainly attributable to the Group's 29% equity interest in PetroChina Jingtang, and the increase in net value as at 31 December 2023 as compared to that as at 31 December 2022 was mainly due to the net effect of (i) share of profit from associates for the period; and (ii) exchange rate fluctuation resulting from depreciation of RMB against HK$.

Current assets

The balance of trade receivables decreased by HK$25.1 million relative to the balance as at 31 December 2022, which was mainly due to the recovery of trade receivables and the impact of exchange rate fluctuations as a result of the depreciation of RMB against HK$.

The balance of prepayments, deposits and other receivables decreased by HK$60.4 million relative to the balance as at 31 December 2022, which was mainly due to the recovery of certain other receivables and the impact of exchange rate fluctuation as a result of the depreciations of RMB against HK$.

The balance of cash and cash equivalents amounted to HK$401.3 million, representing a decrease of HK$152.8 million as compared to that as at 31 December 2022, which was mainly due to the repayment of bank and other borrowings by the Group during the Year.

Non-current liabilities

Bank and other borrowings mainly represented a shareholder loan of HK$700 million from Beijing Gas Group to the Company with maturity date of 31 December 2025 and the balance remained stable relative to the balance as at 31 December 2022.

The convertible bond represented the convertible bond in the aggregate principal amount of HK$300 million issued by the Company to Beijing Gas Group with maturity date of 28 December 2025.

Current liabilities

The balance of trade and bills payables remained stable relative to the balance as at 31 December 2022.

The balance of other payables and accruals decreased by HK$42.9 million as compared to that as at 31 December 2022, which was mainly due to the settlement of other payables and accruals.

The decrease in the balance of bank and other borrowings as compared to the balance as at 31 December 2022 was mainly due to the repayment of part of short term bank and other borrowings by the Group during the reporting period.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, bank and other borrowings and convertible bond.

The Group maintained conservative treasury policies and upheld tight control over its cash and risk management. The Group maintained cash and cash equivalents amounting to HK$401.3 million as at 31 December 2023 (31 December 2022: HK$554.1 million), representing a decrease by 27.6% from 31 December 2022. In addition, the Group had restricted cash and pledged deposits of HK$9.2 million (31 December 2022: HK$16.1 million) as at 31 December 2023.

As at 31 December 2023, the Group had net current liabilities of HK$1,021.4 million (31 December 2022: HK$1,102.8 million). As at 31 December 2023, the Group's current ratio, calculated on the basis of the Group's current assets over current liabilities, was 0.55 (31 December 2022: 0.55).

As at 31 December 2023, total assets of the Group amounted to HK$5,086.8 million (31 December 2022: HK$5,220.7 million) and the Group's debt asset ratio, which is the total liabilities divided by the total assets, was 68.0% (31 December 2022: 68.8%). As at 31 December 2023, the Group had total borrowings of HK$2,708.8 million (31 December 2022: HK$2,707.1 million). The Group's leverage ratio, which is total borrowings divided by the total assets, was 53.3% (31 December 2022: 51.9%).

The Group's net liability ratio (expressed as net borrowings, including the sum of bank and other borrowings and convertible bond less cash and cash equivalents, divided by total equity), was 141.9% as at 31 December 2023 (31 December 2022: 132.2%).

In 2023, the Group's interest on repayment of offshore bank loans also increased significantly as HIBOR hits new highs in Hong Kong in nearly a decade. In view of the reversal of interest rate spread between HK$ bank borrowings and RMB bank borrowings (from relatively low interest costs to high interest costs), the Group started to replace HK$ and USD bank and other borrowings with RMB bank borrowings in 2023 to take full advantage of the lower-cost financing in RMB.

On 14 December 2023, the Company entered into various finance documents with Beijing Gas Group, pursuant which the Company obtained a new facility with a principal in an aggregate amount of HK$700 million equivalent of RMB from Beijing Gas Group, the proceeds of which were applied to refinance an existing facility with a principal amount of HK$700 million from Beijing Gas Company Limited. The Board is of the view that the said refinancing could alleviate the pressure of rising finance costs and mitigate the exchange rate risk on net assets due to exchange rate movements as most of the Group's operations and assets are located in Chinese Mainland.

The entering into the aforesaid finance documents constituted a connected transaction of the Company under the Listing Rules and was approved by the independent shareholders of the Company at the special general meeting held on 24 January 2024. For details, please refer to the circular and poll results announcement of the Company dated 8 January 2024 and 24 January 2024, respectively.

Going forward, the Group will further obtain lower-interest debt financing to reduce overall interest costs.

In 2023, the Group neither entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

USE OF PROCEEDS FROM THE CAPITAL AND ASSET INJECTION PLAN

Up to 31 December 2023, the Group utilised the net proceeds raised from the Capital and Asset Injection Plan in accordance with the designated uses set out in the circular dated 31 October 2022 as follows:

	Net amount designated in the circular dated 31 October 2022 *(HK$ million)*	**Amount utilised up to 30 June 2023** *(HK$ million)*	**Amount utilised between 1 July 2023 and 31 December 2023** *(HK$ million)*	**Unutilised balance as at 31 December 2023** *(HK$ million)*	**% utilised as at 31 December 2023**
1. Repayment of bank borrowings	1,013.0	1,013.0	–	–	100%
2. Repayment of outstanding amount and interest associated with the corporate bonds issued by the Company and other borrowings of the Group	337.0	337.0	–	–	100%
3. Business development	94.5	–	–	94.5	0%
4. General working capital	50.0	50.0	–	–	100%
Total	1,494.5	1,400.0	–	94.5	93.7%

As at 31 December 2023, net proceeds from the Capital and Asset Injection Plan of HK$94.5 million was not yet utilised. The unutilised portion of proceeds is expected to be utilised within 2024 in accordance with the designated purposes previously announced by the Company. In the meantime, the unutilised portion of proceeds continues to be maintained in deposits with licensed banks.

EMPLOYEES' INFORMATION

The Group's employees are based in Chinese Mainland and Hong Kong. As at 31 December 2023, the Group had 677 (31 December 2022: 644) employees. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, grants discretionary incentive bonuses and/or share options to eligible staff based on their performance and contributions to the Group.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 31 December 2023 are secured by:

(i) pledges over certain of the Group's property, plant and equipment;

(ii) pledges over the Group's equity interests in a subsidiary;

(iii) pledges over the Group's investment property;

(iv) pledged by the right of collection of receivables from the sales of gas of a subsidiary; and/or

(v) pledges over certain of the Group's bank balances.

Save as disclosed above, as at 31 December 2023, the Group did not have any charges on the Group's assets.

EXPOSURE TO FLUCTUATIONS IN EXCHANGES RATES

The Group's major debts and borrowings and the reporting currencies are denominated in HK$. The Group has limited exposure to foreign exchange gain/loss arising from settlement of debts and borrowings. The Group will consider to utilise more RMB denominated borrowings in the future. The Group's revenue is mainly denominated in RMB. As the RMB is not a freely convertible currency and is regulated by the PRC government, the future exchange rates can vary significant from current or historical exchange rates. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Group did not have any other significant events after the reporting period and up to the date of this announcement.

FINAL DIVIDEND

The Board did not recommend a payment of final dividend for FY2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 19 December 2023, the Group, as purchaser, entered into the Acquisition. For details of the Acquisition, please refer to the paragraph headed "Business Review – Other Businesses" of this announcement.

Save as disclosed in this announcement, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during FY2023.

SIGNIFICANT INVESTMENTS AND FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the paragraph headed "Business Review – Other Businesses" of this announcement, the Company had not executed any agreement in respect of material investment or capital asset and did not have any other plans relating to material investment or capital asset as at the date of this announcement. Nonetheless, if any potential investment opportunity arises in the coming future, the Company will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Company and the Shareholders as a whole. The potential investment opportunity will be funded by internal resources.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance and has put in place self-regulatory corporate practices for compliance with the code provisions set out in the Corporate Governance Code (the "**CG Code**") from time to time as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). The Group adopted practices which meet the CG Code during FY2023.

Throughout FY2023, the Company has complied with the code provisions set out in the CG Code in force during the year.

COMPLIANCE WITH THE MODEL CODE

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by the Directors. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the Model Code throughout FY2023.

DISSOLUTION OF THE EXECUTIVE COMMITTEE

By a resolution of the Board, the Executive Committee of the Board will be dissolved with effect from 27 March 2024 and its functions will be taken up by the existing Directors and senior management of the Group which handle and supervise the daily administration, management and operation of the Group. The purpose of the change is to streamline and improve the management process of the Group.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 17 May 2024 (the "**AGM**"), the register of members of the Company will be closed from Monday, 13 May 2024 to Friday, 17 May 2024 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 May 2024.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During FY2023, save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Board (the "**Audit Committee**") currently comprises three members, namely, Mr. Cui Yulei, Ms. Hsu Wai Man Helen ("**Ms. Hsu**") and Mr. Xu Jianwen, all being independent non-executive Directors, with Ms. Hsu as the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles, accounting policies and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The annual results have been reviewed and approved by the Audit Committee.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

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

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgbluesky.com).

A notice convening the AGM will be despatched to the shareholders of the Company together with the 2023 Annual Report on or before 30 April 2024 and available on the aforesaid websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to our shareholders and business partners for their continuous support and our staff for their dedication and hard work throughout the reporting period.

By order of the Board
Beijing Gas Blue Sky Holdings Limited
Li Weiqi
Chairman

Hong Kong, 27 March 2024

As at the date of this announcement, the executive Directors are Mr. Li Weiqi, Mr. Wu Haipeng, Mr. Li Xianning and Mr. Yeung Shek Hin; the non-executive Director is Mr. Shao Dan; and the independent non-executive Directors are Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen.

* *for identification purpose only*