湖州燃气
HUZHOU GAS

湖 州 燃 氣 股 份 有 限 公 司
Huzhou Gas Co., Ltd.*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6661)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- The sales volume of natural gas for the Year was 575.94 million m^3, representing an increase of 2.42% as compared with the year ended 31 December 2022.

- Revenue for the Year was RMB2,435.57 million, representing a decrease of 5.58% as compared with the year ended 31 December 2022.

- Profit attributable to owners of the Company for the Year was RMB110.84 million, representing an increase of 6.48% as compared with the year ended 31 December 2022.

- The Board has proposed to pay the final dividend of RMB0.30 (tax inclusive) per share for the year ended 31 December 2023.

The board (the "**Board**") of directors (the "**Directors**") of Huzhou Gas Co., Ltd.* (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**" or the "**Year**"), together with comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*4*	**2,435,567**	2,579,459
Cost of sales		**(2,168,637)**	(2,465,002)
Gross profit		**266,930**	114,457
Other income and gains	*5*	**48,952**	146,204
Selling and distribution expenses		**(33,255)**	(32,430)
Administrative expenses		**(48,722)**	(49,060)
Impairment losses on financial assets, net		**(1,764)**	(187)
Other expenses		**(10,399)**	(2,648)
Finance costs	*7*	**(3,566)**	(2,468)
Share of losses of:			
Joint ventures		**(1,865)**	(2,972)
PROFIT BEFORE TAX	*6*	**216,311**	170,896
Income tax expense	*8*	**(52,013)**	(41,650)
PROFIT FOR THE YEAR		**164,298**	129,246
Attributable to:			
Owners of the parent		**110,837**	104,091
Non-controlling interests		**53,461**	25,155
		164,298	129,246
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
– For profit for the year *(RMB)*		**0.55**	0.60

	Notes	**2023** *RMB'000*	2022 *RMB'000*
PROFIT FOR THE YEAR		**164,298**	129,246
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Fair value reserve of financial assets at fair value through other comprehensive income:			
Initial recognition of bills receivable as settlement of trade receivables		**(36)**	(274)
Changes in fair value		**181**	473
Income tax effect		**(36)**	(50)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**109**	149
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**109**	149
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**164,407**	129,395
Attributable to:			
Owners of the parent		**110,946**	104,216
Non-controlling interests		**53,461**	25,179
		164,407	129,395

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Lease receivables		**4,169**	3,563
Property, plant and equipment		**1,006,754**	896,881
Investment properties		**1,300**	1,638
Right-of-use assets		**68,209**	48,151
Goodwill		**28,506**	28,506
Other intangible assets		**76,869**	84,344
Investments in joint ventures		**9,716**	5,581
Deferred tax assets		**1,427**	1,662
Other non-current assets		**–**	9,900
Total non-current assets		**1,196,950**	1,080,226
CURRENT ASSETS			
Inventories		**15,978**	29,254
Lease receivables		**949**	1,607
Trade and bills receivables	*11*	**77,858**	58,255
Prepayments, other receivables and other assets		**44,888**	35,401
Due from related parties		**7,448**	14,373
Pledged deposits		**24**	24
Cash and cash equivalents		**857,579**	1,079,703
Total current assets		**1,004,724**	1,218,617
CURRENT LIABILITIES			
Trade payables	*12*	**121,879**	101,348
Other payables and accruals		**163,446**	448,970
Contract liabilities		**310,351**	279,241
Due to related parties		**20,010**	10,264
Tax payables		**34,524**	26,417
Lease liabilities		**561**	700
Total current liabilities		**650,771**	866,940
NET CURRENT ASSETS		**353,953**	351,677
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,550,903**	1,431,903

	Notes	**2023** *RMB'000*	2022 *RMB'000*
NON-CURRENT LIABILITIES			
Contract liabilities		**125,824**	110,289
Deferred tax liabilities		**37,336**	40,623
Deferred income		**3,500**	2,942
Other non-current liabilities		**87,553**	72,679
Lease liabilities		**18,899**	8,055
Total non-current liabilities		**273,112**	234,588
Net assets		**1,277,791**	1,197,315
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**202,715**	202,715
Other reserves		**978,429**	928,297
		1,181,144	1,131,012
Non-controlling interests		**96,647**	66,303
Total equity		**1,277,791**	1,197,315

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2023

1. CORPORATE AND GROUP INFORMATION

Huzhou Gas Co., Ltd. (the "**Company**") is a joint stock company with limited liability established in the People's Republic of China (the "**PRC**"). The registered office of the Company is located at No. 227, Sizhong Road, Wuxing District, Huzhou, Zhejiang Province, China.

During the year, the Group was involved in the following principal activities:

- the sale of gas, mainly piped natural gas ("**PNG**") (under the concessions) and liquefied natural gas ("**LNG**") in Huzhou;
- the provision of construction and installation services to construct and install end-user pipeline network and gas facilities for customers such as property developers and owners or occupants of residential and non-residential properties;
- others, including the sale of household gas appliances and relevant equipment, energy, distributed photovoltaic power and the leasing of properties in Mainland China.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 July 2022.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"), and International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for bills receivable and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**"), 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 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, using consistent accounting policies. 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 owners of the parent of the Group 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 of the subsidiary, any non-controlling interest, 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 retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 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) IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts*. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and

- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

As the Group did not have contracts within the scope of IFRS 17, the new standard had no impact on the Group's financial statements.

(b) 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 note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(c) 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.

(d) 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 a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available) of RMB5,177,000 (31 December 2022: RMB2,490,000; 1 January 2022: RMB473,000), and a deferred tax liability for all taxable temporary differences associated with right-of-use assets of RMB5,105,000 (31 December 2022: RMB2,490,000; 1 January 2022: RMB473,000). The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

(e) 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. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

The Group has only one reportable operating segment which engages in (i) sale of gas, mainly PNG (under the concessions) and LNG in Huzhou; (ii) provision of construction and installation services; and (iii) others, including the sale of energy, household gas appliances and relevant equipment, distributed photovoltaic power and the leasing of properties. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Geographical information is not presented since all of the Group's revenue from external customers is generated in Chinese Mainland and all of the non-current assets of the Group are located in Chinese Mainland.

Information about major customers

Revenue of approximately RMB198,624,000 (2022: RMB326,602,000) was derived from sales by the natural gas operation segment to one customer, Group A. Group A represents three customers under the control of a same shareholder.

4. REVENUE

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**2,224,368**	2,401,902
Provision of construction and installation services	**208,241**	174,290
Others	**5,629**	5,066
Subtotal	**2,438,238**	2,581,258
Revenue from other sources		
Gross rental income from investment property operating leases	**271**	602
	2,438,509	2,581,860
Less: Government surcharges	**(2,942)**	(2,401)
Total revenue	**2,435,567**	2,579,459

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Sale of PNG	**2,144,987**	2,337,854
Sale of LNG	**25,191**	29,296
Sale of household gas appliances and relevant equipment	**31,784**	19,955
Sale of energy	**14,712**	12,460
Sale of distributed photovoltaic power	**7,694**	2,337
Provision of construction and installation services	**208,241**	174,290
Others	**5,629**	5,066
Subtotal	**2,438,238**	2,581,258
Less: Government surcharges	**(2,942)**	(2,401)
Total revenue from contracts with customers	**2,435,296**	2,578,857

	2023	2022
	RMB'000	*RMB'000*
Geographical market		
Chinese Mainland	**2,435,296**	2,578,857
Timing of revenue recognition		
Goods or services transferred at a point in time	**2,229,997**	2,406,968
Services transferred over time	**208,241**	174,290
Subtotal	**2,438,238**	2,581,258
Less: Government surcharges	**(2,942)**	(2,401)
Total revenue from contracts with customers	**2,435,296**	2,578,857

The following table shows the amounts of revenue recognised in this Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period and recognised from performance obligations satisfied in previous periods:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Sale of natural gas	**158,871**	124,332
Construction and installation services	**115,712**	162,919
Sale of household gas appliances and relevant equipment	**4,658**	4,226
Total	**279,241**	291,477

There was no revenue recognised from performance obligations satisfied in previous years or not previously recognised due to constraints on variable consideration.

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the PNG, LNG, energy, household gas appliances and relevant equipment and distributed photovoltaic power, and payment is generally due within 30 to 90 days from delivery except for customers who purchased prepaid cards.

Construction and installation services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before or during the rendering of the services. The remaining percentage of payment generally should be paid before completion of construction and installation.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**310,351**	279,241
After one year	**125,824**	110,289
Total	**436,175**	389,530

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year relate to construction and installation services of gas pipelines, sale of household gas appliances and relevant equipment and sale of natural gas, of which the performance obligations are to be satisfied within two to three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. OTHER INCOME AND GAINS

	2023 *RMB'000*	2022 *RMB'000*
Other income		
Bank interest income	**32,116**	20,742
Finance income on the net investment in a lease	**748**	756
Government grants	**9,252**	109,895
Others	**423**	95
Total other income	**42,539**	131,488
Gains		
Gain on foreign exchange differences	**–**	5,801
Gain on disposal of items of property, plant and equipment	**3,463**	2,327
Fair value gains on wealth management products	**2,950**	6,588
Total gains	**6,413**	14,716
Total other income and gains	**48,952**	146,204

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**2,048,921**	2,353,938
Cost of services provided	**119,716**	111,064
Depreciation of property, plant and equipment	**59,306**	56,763
Depreciation of investment properties	**53**	60
Depreciation of right-of-use assets	**2,733**	2,250
Amortisation of other intangible assets	**7,477**	7,495
Total	**2,238,206**	2,531,570
Lease payments not included in the measurement of lease liabilities	**263**	206
Auditor's remuneration	**2,340**	2,260
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**68,049**	63,671
Pension scheme contributions	**7,413**	6,627
Social security contributions and accommodation benefits	**10,945**	10,002
Total	**89,010**	82,766
Impairment of financial assets, net:		
Impairment of trade receivables	**1,802**	214
Impairment of financial assets included in prepayments, other receivables and other assets	**(38)**	(27)
Total	**1,764**	187
Loss/(gain) on foreign exchange differences	**61**	(5,801)
Bank interest income	**(32,116)**	(20,742)
Fair value gains on wealth management products	**(2,950)**	(6,588)
Government grants	**(9,252)**	(109,895)
Interest on lease liabilities	**571**	173
Gain on disposal of items of property, plant and equipment	**(3,463)**	(2,327)
Write-down of inventories to net realisable value	**(414)**	(535)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is set out as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	**2,767**	819
Interest expenses arising from discounted bills receivable	**228**	1,476
Interest on lease liabilities	**571**	173
Total interest expenses on financial liabilities not at fair value through profit or loss	**3,566**	2,468

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for current income tax in Chinese Mainland is calculated based on the statutory rate of 25% (2022: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "**New Corporate Income Tax Law**"), except for four certain subsidiaries of the Group in Chinese Mainland that carried out production and operation of distributed photovoltaic power, which are subject to a preferential rate of 0%.

In accordance with the relevant provisions of the Notice on the Implementation of the Catalogue of Enterprise Income Tax Preferences for Public Infrastructure Projects issued by the Ministry of Finance and the State Administration of Taxation, the subsidiaries of the Company, namely Huran New Energy, Deqing Xinrui, Nanxun Xinao Development and Huxun Fuel New Energy enjoy the preferential policy of enterprise income tax. For enterprises engaged in public infrastructure projects that meet the relevant conditions and technical standards and the relevant provisions of the state investment management in the Catalogue of Preferential Enterprise Income Tax for Public Infrastructure Projects approved on 1 January 2008, their income from investment and operation will be exempted from enterprise income tax from the year in which the production and operation income of distributed photovoltaic power is first generated, and the enterprise income tax will be reduced by half for another three years. 2022 was the tax year in which the production and operation income of distributed photovoltaic power was first generated for Huran New Energy, Deqing Xinrui and Nanxun Xinao Development, therefore the income tax of Huran New Energy and Deqing Xinrui and Nanxun Xinao Development is exempted from 2022 to 2024 and the applicable tax rate will be reduced by half from 2025 to 2027. 2023 was the tax year in which the production and operation income of distributed photovoltaic power was first generated for Huxun Fuel New Energy, therefore the income tax of Huxun Fuel New Energy is exempted from 2023 to 2025 and the applicable tax rate will be reduced by half from 2026 to 2028.

The major components of income tax expense are set out as follows:

	2023	2022
	RMB'000	*RMB'000*
Current tax – Mainland China		
Charge for the year	**55,101**	40,079
Deferred tax	**(3,088)**	1,571
Total tax charge for the year	**52,013**	41,650

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**216,311**	170,896
Tax at the statutory tax rate	**54,078**	42,724
Lower tax rate for specific subsidiaries	**(1,343)**	(426)
Expenses not deductible for tax	**267**	301
Adjustments in respect of current tax of previous periods	**133**	(9)
Income tax credit for special equipment	**(44)**	(44)
Loss on cancellation of a subsidiary	**–**	(1,180)
Extra tax deduction for research and development expenses	**(1,529)**	(466)
Profits and losses attributable to joint ventures	**466**	743
Recognise temporary difference of previous periods	**(15)**	–
Temporary difference not recognised	**–**	7
Tax charge at the Group's effective rate	**52,013**	41,650

9. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Interim – Dividends paid by the Company before listing	**–**	176,076
Interim – Dividends paid by subsidiaries to non-controlling shareholders	**23,668**	35,899
Proposed final – RMB0.30 (2022: RMB0.30) per ordinary share	**60,814**	60,814

On 28 March 2024, the board of directors proposed the payment of a final dividend of RMB0.30 per share, amounting to RMB60,814,350 (tax inclusive), for the year ended 31 December 2023. The source of the proposed dividend payment is from the retained profits. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 202,714,500 (2022: 174,647,444) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic earnings per share is based on:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	**110,837**	104,091

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**202,714,500**	174,647,444

11. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**44,268**	28,329
Impairment	**(2,972)**	(1,170)
	41,296	27,159
Bills receivable	**36,562**	31,096
Net carrying amount	**77,858**	58,255

The Group's trading terms with its industrial and commercial customers are mainly on credit except for certain new customers, where payment in advance is required. The average credit period range for trade receivables is within 30 to 90 days. The average maturity period of bills receivable is 3 to 12 months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**57,352**	36,747
3 months to 6 months	**17,248**	17,515
6 months to 1 year	**3,158**	3,993
More than 1 year	**100**	–
Total	**77,858**	58,255

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**1,170**	956
Impairment losses, net	**1,802**	214
At end of year	**2,972**	1,170

An impairment analysis is performed at each reporting date using a provision matrix to measure the expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on trade receivables using a provision matrix:

As at 31 December 2023

		Past due			
	Current	**Less than 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**0.60%**	**3.58%**	**28.28%**	**100.00%**	**3.84%**
Gross carrying amount *(RMB'000)*	**69,110**	**2,768**	**4,403**	**1,210**	**77,491**
Expected credit losses *(RMB'000)*	**418**	**99**	**1,245**	**1,210**	**2,972**

As at 31 December 2022

		Past due			
	Current	Less than 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	0.78%	2.01%	100.00%	100.00%	4.13%
Gross carrying amount *(RMB'000)*	26,635	747	41	906	28,329
Expected credit losses *(RMB'000)*	208	15	41	906	1,170

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**97,551**	84,205
3 to 6 months	**13,381**	7,122
6 to 12 months	**7,763**	4,685
Over 1 year	**3,184**	5,336
Total	**121,879**	101,348

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

13. SHARE CAPITAL

Shares

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
202,714,500 (2022: 202,714,500) ordinary shares	**202,715**	202,715

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *RMB'000*
At 1 January 2022	**150,000,000**	150,000
Issue of shares	**52,714,500**	52,715
At 31 December 2022, 1 January 2023 and 31 December 2023	**202,714,500**	202,715

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The world is at a time of converging waves of undergoing profound changes unseen in a century, the third energy transition, green and low-carbon transformation has become an important driving engine for global development, and the accelerated development of clean energy has made the natural gas industry a promising industry with great potential.

China's "14th Five-Year Plan Modern Energy System Plan" (《"十四五"現代能源體系規劃》) points out the direction for the development objectives and key construction content of the natural gas industry, in the construction of the modern energy system, the convenience of and the ability to ensure people's access to production of energy for living will be further enhanced, the availability of diverse clean energy such as electricity, gas, cold and heat will be significantly increased, and the coverage of natural gas pipeline network will be further expanded. Urban and rural energy supply infrastructure will be developed in a balanced manner, and the ability to supply clean energy to the rural areas will continue to be strengthened.

Under the guidance of the "double carbon" goal, in recent years, the construction of "Clean Energy Demonstration Province" in Zhejiang has been continuously promoted, and the proportion of natural gas consumption in primary energy has increased year by year. The Zhejiang Province 14th Five-Year Plan for Energy Development (《浙江省能源發展"十四五"規劃》) points out that in the future, the market still needs to continue to push forward in the areas of natural gas supply guarantee, infrastructure construction and market system reform to help the healthy development of the natural gas industry in the province.

Huzhou, where the Company is located, clearly points out in the 2023 "Huzhou City Carbon Peak Implementation Plan" (《湖州市碳達峰實施方案》) that it is necessary to build a diversified and clean energy supply system, strengthen energy conservation and energy efficiency management in key areas such as industry, construction, transportation and residents, strengthen the dual-control of energy consumption, and constantly push forward energy efficiency improvement. It is also necessary to facilitate the construction of natural gas storage facilities, strengthen the interconnection of natural gas pipeline network, utilize the provincial natural gas distributed support policy, and develop combined cooling, heating and power services of natural gas in accordance with local conditions, so as to promote the growth of natural gas consumption in an orderly manner.

DEVELOPMENT STRATEGY AND OUTLOOK

The Company has always been committed to creating a better and convenient life for customers, creating long-term and stable value for shareholders, relying on the "double carbon" development goal, coordinating development and safety, creating a new integrated development pattern of "gas, heat, cold and electricity", continuously promoting "1+3+N" industrial development, constantly improving the production, supply, storage and sales system, consolidating the foundation for main businesses of gas equipment installation and natural gas sales, meeting the incremental demand of economic and social development for clean energy, and realizing the coordinated supply of multiple energies and the comprehensive cascade utilization of energy according to the demands of the customers such as energy consumption demand, energy consumption law, energy conservation and emission reduction, so as to optimize the comprehensive operation of clean energies and the complementation of multiple energies, and play a greater role in promoting pollution and carbon reduction.

BUSINESS REVIEW

Since 2004 and 2009, as a concession grantee, the Group has been the exclusive distributor of PNG in its operating areas in Wuxing District and Nanxun District of Huzhou, respectively. The main businesses include the sale of PNG (under the concessions) and LNG in Huzhou, the provision of services to construct and install end-user pipeline network and gas facilities, and the sale of household gas appliances and relevant equipment, energy, distributed photovoltaic power and the leasing of properties in Mainland China. As at the end of the Reporting Period, the Group provided gas supply service to 283,076 residential users and 3,412 industrial and commercial users, with a gas sales volume of approximately 575.94 million m^3, representing an increase of approximately 2.42% as compared with the previous year.

As at the end of the Reporting Period, the Group was the largest PNG distributor in Huzhou City, Zhejiang Province, the PRC, and the length of the natural gas pipeline network operated within the Group's operating areas in Huzhou was approximately 1,559.8 kilometers.

FINANCIAL OVERVIEW

Revenue

The Group's revenue for the Year was RMB2,435.57 million, representing a decrease of 5.58% as compared with RMB2,579.46 million in the previous year. The decrease in revenue was mainly arising from the reduction in natural gas sales prices for non-residential households starting from 2023.

Gross Profit

The Group's gross profit for the Year was RMB266.93 million, representing an increase of 133.21% as compared with RMB114.46 million in the previous year. During the Reporting Period, natural gas purchase price fell, leading to the decrease in the Group's natural gas procurement cost and the significant increase in gross profit.

Other Income and Gains

The Group's other income and gains for the Year were RMB48.95 million, representing a decrease of 66.52% as compared with RMB146.20 million in the previous year. It was mainly due to the decrease in fiscal subsidy fund received by the Group in 2023.

Finance Costs

The Group's finance costs for the Year were RMB3.57 million, representing an increase of 44.53% as compared with RMB2.47 million in the previous year. It was mainly due to the increase in interest expenses arising from the increase in bank borrowings in the Year.

Income Tax Expense

The Group's income tax expense for the Year increased by 24.87% to RMB52.01 million from RMB41.65 million in the previous year. The effective tax rate for the Year was 24.05% (2022: 24.37%). The increase in income tax expense was mainly due to the increase of 26.57% in profit before tax as compared with the previous year. The decrease in effective tax rate was due to the preferential tax rates enjoyed by certain companies within the Group and the tax policy on an increase in the proportion of the additional deduction for research and development expenses.

Profit attributable to Owners of the Parent

Profit attributable to owners of the parent for the Year was RMB110.84 million, representing an increase of 6.48% as compared with RMB104.09 million in the previous year. It was mainly due to the combined effect of the decrease in the Group's procurement cost and the increase in the gross profit from sale of PNG as a result of the decrease in the procurement price of PNG for the Year, and the decrease in fiscal subsidy fund in 2023, resulting in the increase in the profit attributable to owners of the parent as compared with the previous year.

Liquidity and Financial Position

As at 31 December 2023, the current assets of the Group amounted to RMB1,004.72 million (31 December 2022: RMB1,218.62 million), of which cash and bank balance were equivalent to RMB857.58 million and mainly denominated in Renminbi.

As at 31 December 2023, the current ratio (current assets/current liabilities) of the Group was 1.54 (31 December 2022: 1.41) and the asset-liability ratio (total liabilities/total assets) was 41.96% (31 December 2022: 47.92%). As at 31 December 2023, there was no utilised bank loan. A letter of guarantee of RMB30 million was issued for the performance bond required to be paid to PipeChina under the Agreement on the Access of New Download Point Off-load Facilities of Natural Gas Infrastructure (《天然氣基礎設施新增下載點分輸設施接入協議》) entered into by Nanxun Xinao and National Pipeline Network Group Sichuan to East Natural Gas Pipeline Co., Ltd.* (國家管網集團川氣東送天然氣管道有限公司), and the term of the letter of guarantee was from 1 September 2022 to 30 June 2027. As at 31 December 2023, the unutilised bank credit balance was RMB655.0 million.

As at 31 December 2023, the gearing ratio of the Group was approximately 1.52% (as at 31 December 2022: 0.73%). The ratio was calculated by dividing total interest-bearing liabilities by the total equity of the Group. As at 31 December 2023, the Group maintained a net cash position.

Exchange Rate Fluctuation Risk

As the Group operates all its businesses in the PRC and substantially all of its revenue and expenses are denominated in RMB, the Group is not facing material direct risks related to exchange rate fluctuations. The Group will closely monitor the interest rate and exchange rate in the market and take appropriate countermeasures when necessary.

Contingent Liabilities

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

Financial Guarantee Obligations

As at 31 December 2023, the Group had no material financial guarantee obligations.

Pledge of Assets

As at 31 December 2023, the Group had no pledge of assets.

Significant Investments Held, Material Acquisitions or Disposals, and Future Plans for Material Investments or Capital Assets

There were no significant investments held, or material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the Reporting Period, and the Company does not have any future plan for material investments or capital assets as at the date of this announcement.

Human Resources and Employee Compensation

As at 31 December 2023, the Group employed a total of 440 employees in China (31 December 2022: 435). During the Reporting Period, the total employee costs of the Group were approximately RMB93.69 million. The Group further strengthened the training of employees to enhance their professional level and overall quality, by providing targeted training courses to the management, management personnel at various positions, professional technical personnel and service personnel, and by distributing relevant policies and regulations, industry information and knowledge documents to employees. The Group also provided employees with competitive remuneration packages, which is generally structured with reference to market terms and individual merits and reviewed by the management on a regular basis, so as to encourage them to work hard and show their talents when serving customers.

EVENTS AFTER THE REPORTING PERIOD

In the meeting of the Board of Directors held on 28 March 2024, the Board of Directors proposed the payment of a final dividend of RMB0.30 per share, amounting RMB60,814,350 (tax inclusive), for the year ended 31 December 2023. The source of the proposed dividend payment is from the retained profits. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting ("**AGM**").

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors were also not aware of any material litigation or claims that were pending or threatened against the Group during the Reporting Period and up to the date of this announcement.

USE OF NET PROCEEDS FROM LISTING

The H shares of the Company (the "**H Share(s)**") were officially listed on the Stock Exchange on 13 July 2022. The net proceeds from the global offering of the H Shares (the "**Global Offering**") (including proceeds from the additional H Shares issued and allotted pursuant to the exercise of the over-allotment option, and deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and exercise of the over-allotment option) were approximately HK$276.3 million (equivalent to RMB236.9 million) (the "**Net Proceeds**"). The Company has utilised and will utilise the Net Proceeds in accordance with the proportion of use allocation as stated under the section headed "Future Plans and Use of Proceeds" in the prospectus. As at 31 December 2023, the details of the use of the above Net Proceeds were as follows:

Designated use of Net Proceeds	% of Net Proceeds from the Global Offering	Net Proceeds from the Global Offering and use of proceeds			Expected to be utilised prior to the following date
		Amount allocated *(RMB'000)*	Utilised *(RMB'000)*	Unutilised *(RMB'000)*	
Enhance the sales volume of PNG by upgrading our pipeline network and operational facilities	20%	47,400	47,400	0	
Expand our business to other geographical areas through strategic acquisition	30%	71,000	0	71,000	By the end of 2025
Expand into distributed photovoltaic power generation business	30%	71,000	54,859	16,141	By the end of 2024
Promote the use of heat energy from vapour generated by our natural gas through natural gas boilers	10%	23,800	2,765	21,035	By the end of 2025
Working capital and general corporate purposes	10%	23,700	23,700	0	
Total	**100%**	**236,900**	**128,724**	**108,176**	

As at the date of this announcement, the unutilised Net Proceeds were deposited in an interest-bearing account opened with a licensed bank.

AGM

The AGM of the Company will be held on Thursday, 6 June 2024. A notice convening the AGM will be published in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

FINAL DIVIDEND

The Board resolved to propose the payment of a final dividend of RMB0.30 (tax inclusive) per share for the Year (the "**2023 Final Dividend**") with an aggregate amount of RMB60,814,350 (tax inclusive) to shareholders (whether holders of H Shares or holders of domestic shares) of the Company with their names appearing on the Company's register of members on Friday, 14 June 2024, subject to the approval by the shareholders of the Company at the AGM. Subject to the passing of the relevant resolution at the AGM, the 2023 Final Dividend is expected to be paid around Wednesday, 3 July 2024.

Dividends will be paid in Renminbi for holders of domestic shares of the Company, and dividends will be paid in Hong Kong dollars for holders of H Shares of the Company (the "**H Shareholders**"). The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of approval of declaration of dividends at the AGM.

TAX

Under the requirements of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得税法》) and the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得税法實施條例》) implemented in 2008, the Company has the obligation to withhold enterprise income tax at a rate of 10% on dividends when it pays the 2023 Final Dividend to H Shareholders who are overseas non-resident enterprises (including HKSCC Nominees Limited, other enterprise nominees or trustees, or other organizations and groups) with their names appearing on the H Share register of members on Friday, 14 June 2024.

According to the requirement under Guo Shui Han [2011] No. 348 from the State Taxation Administration (國家税務總局國税函[2011]348號) and the relevant laws and regulations, for individual H Shareholders who are residents in Hong Kong or Macau, and residents in other countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold the individual income tax at the rate of 10%. For individual H Shareholders who are residents in the countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate lower than 10%, the Company will withhold the individual income tax on the dividends at the rate of 10%. For individual H Shareholders who are residents in the countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 10% but lower than 20%, the Company will withhold the individual income tax at the effective tax rate under the relevant tax treaty. For individual H Shareholders who are residents in the countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 20%, or residents in the countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold the individual income tax at the rate of 20%.

The Company will determine the residential status of the individual H Shareholders based on the registered address as recorded in the H Share register of members of the Company on Friday, 14 June 2024. If the residential status of individual H Shareholders is not the same as their registered address or if the individual H Shareholders would like to apply for a refund of the additional amount of tax that has been withheld, the individual H Shareholders shall notify and provide relevant supporting documents to the Company on or before Wednesday, 12 June 2024. Upon the supporting documents being reviewed by the relevant tax authorities, the Company will follow the guidance from the tax authorities to implement relevant withholding provisions and arrangements. Individual H Shareholders may either personally or appoint an agent to handle the relevant procedures in accordance with the relevant requirements under the tax treaties notice if they fail to provide the relevant supporting documents to the Company before the time limit stated above.

The Company assumes no responsibility and disclaims any liabilities whatsoever in relation to the tax status or tax treatment of the H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the H Shareholders or any disputes relating to the withholding mechanism or arrangements.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the rights of H Shareholders to attend and vote at the AGM and their entitlements to the 2023 Final Dividend, the H Share register of members of the Company will be closed in the following periods, the details of which are set out as below:

(1) For determining the rights of H Shareholders to attend and vote at the AGM

Latest time to lodge transfer documents of shares for registration	4:30 p.m. on Friday, 31 May 2024
Closure of register of members (both days inclusive)	Monday, 3 June 2024 to Thursday, 6 June 2024
Record date	Thursday, 6 June 2024

(2) For determining the entitlements of H Shareholders to the 2023 Final Dividend

Latest time to lodge transfer documents of shares for registration	4:30 p.m. on Wednesday, 12 June 2024
Closure of register of members (both days inclusive)	Thursday, 13 June 2024 to Friday, 14 June 2024
Record date	Friday, 14 June 2024

During the above relevant periods, the H Share register of members of the Company will be closed. In order to ascertain the right to be eligible to attend and vote at the AGM, and to qualify for the 2023 Final Dividend, all transfer documents of shares, accompanied by the relevant share certificates, must be lodged with the Company's H Share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration, by no later than the aforementioned latest times.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 (formerly known as Appendix 14) to the Listing Rules as the basis of the Company's corporate governance practices. The Company has complied with all the code provisions set out in the CG Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding dealings in the Company's securities by the Directors and supervisors of the Company (the "**Supervisors**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules (the "**Code of Conduct**").

Having made specific enquiries to all Directors and Supervisors, they have confirmed that all of them have complied with the Code of Conduct during the Reporting Period.

The Code of Conduct also applies to employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Code of Conduct by the employees was noted by the Company during the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF ANNUAL FINANCIAL STATEMENTS

The audit committee of the Board (the "**Audit Committee**") comprising three independent non-executive Directors was established by the Company with its terms of reference in compliance with the requirements under the CG Code.

The Audit Committee has reviewed together with the management and external auditor of the Group, Ernst & Young, the accounting principles and policies adopted by the Group and the audited consolidated annual results of the Group for the Year.

PUBLICATION OF ANNUAL RESULTS AND 2023 ANNUAL REPORT

This announcement will be made available at the websites of the Company (http://www.hzrqgf.com) and the Stock Exchange (https://www.hkexnews.hk). The 2023 annual report of the Company will be published on the websites of the Company and the Stock Exchange in accordance with the requirements of the Listing Rules in due course.

By Order of the Board
Huzhou Gas Co., Ltd.*
Wang Hua
Chairman

Huzhou, the PRC, 28 March 2024

As at the date of this announcement, the Board comprises Mr. Wang Hua, Ms. Su Li and Mr. Pan Haiming as executive Directors; Mr. Liu Jianfeng and Mr. Wang Peng as non-executive Directors; and Mr. Chang Li Hsien Leslie, Dr. Lau Suet Chiu Frederic and Mr. Zhou Xinfa as independent non-executive Directors.

* *For identification purposes only*