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CHINESE PEOPLE HOLDINGS COMPANY LIMITED

中民控股有限公司

(incorporated in Bermuda with limited liability) (stock code: 681)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHT

Revenue of the Group amounted to approximately RMB2,868 million (2021: RMB2,732 million).

Profit for the Year amounted to approximately RMB59 million (2021: RMB187 million).

Basic earnings per share for the Year was RMB0.37 cents (2021: RMB1.88 cents).

We do not recommend the payment of a final dividend for the Year (2021: nil).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Chinese People Holdings Company Limited (the “**Company**”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 (the “**Year**”) together with the comparative figures for the corresponding year of 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	4	2,867,697	2,731,601
Cost of sales and services		<u>(2,577,691)</u>	<u>(2,348,949)</u>
Gross profit		290,006	382,652
Impairment losses under the expected credit loss (“ECL”) model, net of reversal	5	(1,401)	(62)
Other gains and losses	6	(21,697)	(19,410)
Other income	7	47,502	44,836
Finance costs	8	(3,518)	(6,935)
Selling and distribution expenses		(152,814)	(159,813)
Administrative expenses		(102,739)	(126,085)
Share of results of associates		15,264	15,629
Share of results of joint ventures		<u>4,159</u>	<u>53,698</u>
Profit before tax		74,762	184,510
Income tax (expense) credit	9	<u>(16,073)</u>	<u>2,543</u>
Profit for the year	10	<u>58,689</u>	<u>187,053</u>
Other comprehensive income (expenses) for the year			
Items that will not be reclassified subsequently to profit or loss:			
Fair value change on equity instruments at fair value through other comprehensive income (“FVTOCI”) net of tax		<u>19,784</u>	<u>(56,091)</u>
Other comprehensive income (expenses) for the year		<u>19,784</u>	<u>(56,091)</u>
Total comprehensive income for the year		<u><u>78,473</u></u>	<u><u>130,962</u></u>

	<i>NOTE</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		32,890	167,781
Non-controlling interests		25,799	19,272
		<u>58,689</u>	<u>187,053</u>
 Total comprehensive income attributable to:			
Owners of the Company		52,790	111,685
Non-controlling interests		25,683	19,277
		<u>78,473</u>	<u>130,962</u>
 Earnings per share	<i>12</i>	RMB	RMB
– basic		<u>0.37 cents</u>	<u>1.88 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>NOTES</i>	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		946,078	908,381
Right-of-use assets		93,632	105,396
Investment properties		4,540	10,720
Goodwill		–	–
Intangible assets		19,584	20,814
Interests in associates		152,703	137,439
Interests in joint ventures		1,347,107	1,342,948
Deferred tax assets		5,264	5,649
Equity instruments at FVTOCI		127,544	104,119
Long-term deposits		22,352	48,285
Loan receivable		–	26,133
		2,718,804	2,709,884
Current assets			
Inventories		48,925	50,993
Trade, bills and other receivables and prepayments	<i>13</i>	253,155	204,644
Contract assets		27,307	37,494
Financial assets at fair value through profit or loss (“FVTPL”)		–	1,405
Bank balances and cash		555,115	575,164
		884,502	869,700
Current liabilities			
Trade and other payables	<i>14</i>	266,288	245,355
Contract liabilities		219,632	238,453
Tax liabilities		12,953	22,074
Lease liabilities		3,488	3,507
Bank borrowings – due within one year		85,020	77,000
		587,381	586,389

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net current assets	<u>297,121</u>	<u>283,311</u>
Total assets less current liabilities	<u>3,015,925</u>	<u>2,993,195</u>
Capital and reserves		
Share capital	564,507	564,507
Reserves	<u>2,184,672</u>	<u>2,137,574</u>
Equity attributable to owners of the Company	2,749,179	2,702,081
Non-controlling interests	<u>233,519</u>	<u>235,039</u>
Total equity	<u>2,982,698</u>	<u>2,937,120</u>
Non-current liabilities		
Bank borrowings – due after one year	500	23,250
Lease liabilities	11,808	14,666
Deferred tax liabilities	<u>20,919</u>	<u>18,159</u>
	<u>33,227</u>	<u>56,075</u>
	<u>3,015,925</u>	<u>2,993,195</u>

1. GENERAL INFORMATION

Chinese People Holdings Company Limited (the “**Company**”) is an exempted company with limited liability incorporated in Bermuda on 13 November 1996. On 24 April 1997, the Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

In the opinion of the Directors, the immediate holding company of the Company is Lofty Key Limited, incorporated in the British Virgin Islands with limited liability, the ultimate holding company of the Company is Renown City Holdings Limited, incorporated in the British Virgin Islands with limited liability, and the controlling party of the Company is Dr. Mo Shikang, who is also the executive Director of the Company.

The Company acts as an investment holding company and its subsidiaries are principally engaged in (i) the piped gas transmission and distribution including the provision of piped gas, construction of gas pipelines and the operation of city gas pipeline network; (ii) the cylinder gas supply; (iii) distribution of gas and (iv) the fast moving consumer goods (“**FMCG**”) and food ingredients supply business including the operation of chain stores including supermarkets and a convenience store in the People’s Republic of China (“**PRC**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to the standards listed above in the current year has had no material effect on the Group’s financial performance and positions for the current and prior year and on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
• HKFRS 17, <i>Insurance Contracts (including the October 2020 and February 2022 Amendments to HKFRS17)</i>	1 January 2023
• Amendments to HKFRS 10 and HKAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
• Amendments to HKFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
• Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)</i>	1 January 2024
• Amendments to HKAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
• Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	1 January 2023
• Amendments to HKAS 8, <i>Definition of Accounting Estimates</i>	1 January 2023
• Amendments to HKAS 12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

The Directors anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM"), being the managing director of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold or services rendered which is also consistent with the basis of organisation of the Group.

The Group currently organises its operations into four operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely (i) piped gas transmission and distribution; (ii) cylinder gas supply; (iii) gas distribution and (iv) FMCG and food ingredients supply. They represent four major lines of business engaged by the Group. The principal activities of the operating and reportable segments are as follows:

- (1) Piped gas transmission and distribution – sales of piped gas and construction of gas pipeline networks under gas connection contracts;
- (2) Cylinder gas supply – sales and distribution of gas using tank containers to end-user households, industrial and commercial customers;
- (3) Gas distribution – sales of natural gas to industrial and commercial customers; and
- (4) FMCG and food ingredients supply – wholesales and retail of merchandise (including but not limited to rice; meat; fresh food; FMCG) through supermarkets and a convenience store.

No operating segments have been aggregated to derive the reportable segments for segment information presentation.

Segment revenues and results

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

For the year ended 31 December 2022

	Piped gas transmission and distribution <i>RMB'000</i>	Cylinder gas supply <i>RMB'000</i>	Gas distribution <i>RMB'000</i>	FMCG and food ingredients supply <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue from external customers	<u>954,241</u>	<u>743,744</u>	<u>1,051,239</u>	<u>118,473</u>	<u>2,867,697</u>
Segment profit (loss)	<u>62,017</u>	<u>17,105</u>	<u>4,472</u>	<u>(25,524)</u>	58,070
Unallocated income					7,373
Central administration costs					(6,586)
Share of results of associates					15,264
Share of results of joint ventures					4,159
Finance costs					<u>(3,518)</u>
Profit before tax					<u>74,762</u>

For the year ended 31 December 2021

	Piped gas transmission and distribution <i>RMB'000</i>	Cylinder gas supply <i>RMB'000</i>	Gas distribution <i>RMB'000</i>	FMCG and food ingredients supply <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue from external customers	<u>953,037</u>	<u>895,452</u>	<u>774,882</u>	<u>108,230</u>	<u>2,731,601</u>
Segment profit (loss)	<u>120,874</u>	<u>(5,593)</u>	<u>3,474</u>	<u>(9,227)</u>	109,528
Unallocated income					19,923
Central administration costs					(7,333)
Share of results of associates					15,629
Share of results of joint ventures					53,698
Finance costs					<u>(6,935)</u>
Profit before tax					<u>184,510</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit (loss) earned by (incurred by) each segment without allocation of share of results of associates, share of results of joint ventures, central administration costs, finance costs and certain other income. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Geographical information

All of the Group's revenue was generated in the PRC (place of domicile of the group entities that derived the revenue) and over 90% of the Group's non-current assets were also located in the PRC (place of domicile of the group entities that hold such assets). Accordingly, no geographical information is presented.

4. REVENUE

Disaggregation of revenue from contracts with customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of goods or services		
Sales of piped gas	833,924	798,794
Piped gas connection	120,317	154,243
Cylinder gas supply	743,744	895,452
Gas distribution	1,051,239	774,882
FMCG and food ingredients supply	118,473	108,230
	<u>2,867,697</u>	<u>2,731,601</u>
Timing of revenue recognition		
On point in time basis	2,747,380	2,577,358
On over time basis	120,317	154,243
	<u>2,867,697</u>	<u>2,731,601</u>

All the revenue from contracts with customers are derived from the PRC.

5. IMPAIRMENT LOSSES UNDER THE ECL MODEL, NET OF REVERSAL

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment loss, net of reversal		
Trade receivables from contract with customers	(1,250)	(5,953)
Other receivables	(151)	8,421
Loan receivable	-	(2,530)
	<u>(1,401)</u>	<u>(62)</u>

6. OTHER GAINS AND LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss on disposal of property, plant and equipment and right-of-use assets	(269)	(9,153)
Loss on disposal of investment property	(1,652)	–
Fair value loss on financial assets at FVTPL	(3)	(314)
Loss on disposal of a subsidiary	–	(561)
Net foreign exchange gain	4,251	3,073
Fair value loss on investment properties	(2,080)	(380)
Bargain purchase gain on acquisition of a subsidiary	11	–
Difference arising on acquisition	1,405	–
Premium charged for the NEEQ status arising on acquisition	–	(2,854)
Impairment loss recognised in respect of:		
– Property, plant and equipment	(11,914)	–
– Right-of-use assets	(11,446)	–
– Goodwill	–	(9,221)
	<u>(21,697)</u>	<u>(19,410)</u>

7. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	5,293	5,819
Imputed interest income from loan receivable	164	650
Rental income, net	8,664	6,249
Covid-19-related rent concessions	–	498
Repair and maintenance services income	1,635	1,753
Sales of gas appliances, net	22,771	18,576
Incentive subsidies (<i>Note</i>)	1,387	4,876
Others	7,588	6,415
	<u>47,502</u>	<u>44,836</u>

Note: The amount mainly represents incentives related to the Group's operations by the government authorities in the PRC.

8. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank borrowings	2,577	5,925
Interest on lease liabilities	941	1,010
	<u>3,518</u>	<u>6,935</u>

9. INCOME TAX EXPENSE (CREDIT)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PRC Enterprise Income Tax (“EIT”):		
– Current tax	16,903	19,961
– Over provision in prior years	(484)	(16,909)
Deferred taxation	(346)	(5,595)
	<u>16,073</u>	<u>(2,543)</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit derived in Hong Kong for both years.

The EIT rates applicable for the Group’s PRC subsidiaries ranged from 15% to 25% (2021: 15% to 25%).

Following the Catalogue of Encouraged Industries in Western Region which was promulgated by the National Development and Reform Commission of the PRC in 2014, certain subsidiaries which are operating in the Western China region are granted a concessionary tax rate of 15% by the local tax bureau.

Income tax credit for small-scaled minimal profit enterprise

In accordance with the announcement no. 12 of 2021 regarding 《關於實施小微企業和個體工商戶所得稅優惠政策的公告》 (“**Implementation of Preferential Income Tax Policies for Small Profit Making Enterprises and Individual Industrial and Commercial Household***”) issued by the Ministry of Finance and the State Taxation Administration, for the period from 1 January 2021 to 31 December 2022, in respect of the portion of taxable income for the year of less than RMB1 million derived by the Group’s small profitmaking enterprises, the enterprise income tax shall be levied at a further reduced rate of 50% on the basis of preferential policies stipulated in Article Two of the Cai Shui* 2019 No. 13 Document.

10. PROFIT FOR THE YEAR

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Directors’ emoluments	5,163	5,245
Other staff costs (excluding directors)		
– Salaries, allowances and benefits in kind	131,248	147,593
– Retirement benefits scheme contributions	18,420	19,158
Total staff costs	154,831	171,996
Cost of inventories recognised as expenses	2,518,172	2,297,793
Auditor’s remuneration	1,000	1,000
Depreciation and amortisation		
– Property, plant and equipment	57,111	61,719
– Right-of-use assets	6,620	14,245
– Intangible assets	1,230	1,226
Write-off		
– Trade and bills receivables	10	–
– Other receivables	2,080	–
Contract cost recognised as expense in respect of gas connection construction contracts (included in cost of sales)	59,519	51,156

11. DIVIDEND

No dividend was paid, declared or proposed during the Year (2021: nil), nor has any dividend has been proposed since the end of the Year.

* *For identification purpose only*

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit for the year attributable to the owners of the Company and for the purposes of basic earnings per share	<u>32,890</u>	<u>167,781</u>
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>8,934,561,203</u>	<u>8,934,561,203</u>

No diluted earnings per share is presented for both years as there was no potential ordinary shares in issue.

13. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	73,120	65,233
Bills receivables	6,965	14,340
	80,085	79,573
Less: Allowance for credit losses	(13,548)	(12,308)
Total trade and bills receivables (net of ECL)	66,537	67,265
Deposits paid for purchases of natural gas; cylinder gas; merchandises and construction materials	101,946	81,832
Rental and utilities deposits and prepayments	4,058	1,997
Other tax recoverable	13,720	4,934
Amounts due from non-controlling interests	25,385	23,372
Other receivables and deposits	65,343	51,007
Total other receivables and prepayments	210,452	163,142
Less: Allowance for credit losses	(23,834)	(25,763)
Total other receivables and prepayments (net of ECL)	186,618	137,379
	253,155	204,644

Trade receivables

The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade and bill receivables, net of ECL, presented based on the invoice date, which approximated the revenue recognition date for sales of gas and the respective construction contracts completion dates, as appropriate:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	48,099	49,891
91 to 180 days	5,750	987
Over 180 days	5,723	2,047
	<hr/>	<hr/>
Trade receivables	59,572	52,925
	<hr/> <hr/>	<hr/> <hr/>
0 to 90 days	2,766	10,807
91 to 180 days	2,199	2,741
Over 180 days	2,000	792
	<hr/>	<hr/>
Bills receivables	6,965	14,340
	<hr/> <hr/>	<hr/> <hr/>

14. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs with the average credit period on purchases of goods is 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 to 90 days	89,621	74,421
91 to 180 days	4,547	15,605
Over 180 days	<u>15,238</u>	<u>7,796</u>
Trade payables	109,406	97,822
Bills payable	4,000	–
Piped gas customers deposits	15,348	20,862
Amounts due to non-controlling interests of subsidiaries	1,676	17,789
Other tax payables	29,842	11,819
Wages and staff benefits	17,609	17,490
Retention payables and security deposits received	32,140	31,139
Compensation received in advance	15,792	15,699
Accrued charges and other payables	<u>40,475</u>	<u>32,735</u>
Total trade and other payables	<u><u>266,288</u></u>	<u><u>245,355</u></u>

15. CAPITAL AND OTHER COMMITMENTS

Capital and other expenditure contracted for but not provided in the consolidated financial statements in respect of:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Purchases of:		
Property, plant and equipment	16,828	14,605
Right-of-use assets	<u>15,336</u>	<u>15,054</u>
	<u><u>32,164</u></u>	<u><u>29,659</u></u>

16. PLEDGE OF ASSETS

The Group pledged certain assets to banks to secure certain bank borrowings of the Group. Carrying amounts of the assets pledged were as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Property, plant and equipment	64,475	64,536
Right-of-use assets	<u>2,623</u>	<u>2,715</u>
	<u>67,098</u>	<u>67,251</u>

Restrictions on assets

In addition, lease liabilities of approximately RMB15,296,000 (2021: RMB18,173,000) are recognised with related right-of-use assets of RMB5,355,000 (2021: RMB21,308,000) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

17. CONTINGENT LIABILITIES

As at 31 December 2022, the Group has no significant contingent liability.

18. EVENTS AFTER REPORTING PERIOD

The Group has no significant events after reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Year, the revenue of the Group was approximately RMB2,868 million (2021: RMB2,732 million), while profit for the Year was approximately RMB59 million (2021: RMB187 million). Basic earnings per share was RMB0.37 cents (2021: RMB1.88 cents). The overall gross profit margin of the Group for the Year was 10.11% (2021: 14.01%), representing a decrease of 3.90 percentage points as compared with 2021. The overall gross profit margin of the Group decreased during the Year, which was due to the increase in the cost of gases as a result of the impact of the pandemic and crude oil prices.

Piped Gas Transmission and Distribution Business

The piped gas transmission and distribution business mainly relies on the gas pipeline which were built by the Group to transport flammable gas fuels to end-users. The Group's piped gas transmission and distribution business is categorised into piped gas connection and piped gas sales. Natural gas is the main gas supply of the Group's piped gas transmission and distribution business. As a clean energy, natural gas can help to improve the environmental pollution problem and simultaneously it has the advantages of safety, high unit heat value and low price. It has become an important development direction of international clean energy.

Piped gas transmission and distribution business is our main business and our main source of income. During the Year, revenue of approximately RMB954 million (2021: RMB953 million) was recorded from our provision of piped gas transmission and distribution business, which accounted for approximately 33.28% (2021: 34.89%) of our total revenue. The overall gross profit margin of piped gas transmission and distribution business for the Year was approximately 12.82% (2021: 22.69%). During the Year, the gross profit margin slightly decreased due to the dual effects of increase in the cost of gases and decrease in the gross profit margin of connection fee.

Piped Gas Connection

During the Year, revenue from piped gas connection was approximately RMB120 million (2021: RMB154 million). Revenue from piped gas connection represented approximately 12.61% (2021: 16.18%) of the total revenue of the piped gas transmission and distribution business. The gross profit margin of piped gas connection fee for the Year was approximately 50.53% (2021: 63.45%). During the Year, our subsidiary companies had an addition of 31,435 units of residential household customers and 686 units of commercial and industrial customers, respectively. At the end of the Year, our subsidiary companies had an accumulated number of connected residential household customers and commercial and industrial customers of 538,355 units and 11,529 units respectively, representing a growth of approximately 6.20% and 6.33% over that of 2021, respectively. Due to the impact of the pandemic, the overall connection rate and gross profit of the Group's piped gas projects recorded a decrease during the Year.

Piped Gas Sales

During the Year, revenue from piped gas sales was approximately RMB834 million (2021: RMB799 million). Revenue from piped gas sales accounted for approximately 87.39% (2021: 83.82%) of the total revenue from the piped gas business. The gross profit margin of piped gas sales was 7.38% (2021: 12.94%). During the Year, our sales volume of piped gas from subsidiary companies was 383.99 million m³, among the total sales, 117.64 million m³ (2021: 111.14 (revised) million m³) were sold to residential household customers; 266.35 million m³ (2021: 228.46 (revised) million m³) were sold to commercial and industrial customers. During the Year, the piped gas sales business stayed stable while the reduction in gross profit margin led to drop in profit.

Cylinder Gas Supply Business

Cylinder gas supply business is another major business of the Group. Currently, the Group's cylinder gas supply business is mainly the sales of liquefied natural gas (LNG), liquefied petroleum gas (LPG), and liquefied dimethyl ether (DME). During the Year, while maintaining established customers, we actively developed new users and expanded the sales market.

During the year, our subsidiaries sold a total of 99,717 tons of cylinder gas (2021: 158,210 tons), which contributed a total sales revenue of approximately RMB744 million (2021: RMB895 million). During the Year, revenue from cylinder gas supply business accounted for approximately 25.93% (2021: 32.78%) of our total revenue. The gross profit margin of cylinder gas supply business was approximately 19.76% (2021: 16.46%). During the Year, affected by the epidemic and the cost grew up, user demand decreased, at the same time, certain businesses with low gross profit margins were suspended, resulting in a decline in sales volume and revenue, and the gross profit margin was adjusted accordingly.

Gas Distribution Business

During the year, our subsidiary companies in the gas distribution business sold a total of 182,939 tons of gas (2021: 184,213 tons), which contributed a total sales revenue of approximately RMB1,051 million (2021: RMB775 million). During the Year, gas sales volume decreased slightly by approximately 0.69% and revenue increased by approximately 35.61% as compared with 2021. During the Year, the gas distribution business accounted for approximately 36.66% (2021: 28.37%) of our total revenue. The gross profit margin of gas distribution was approximately 0.70% (2021: 0.76%). During the Year, the Group continued to develop and serve customers. However, due to the influence of the gases market, both purchase and sales prices rose up, resulting in the slightly downward adjustment to the gross profit margin.

Fast-moving Consumer Good (“FMCG”) and Food Ingredients Supply Business

The FMCG and food ingredients supply business is the new business vigorously developed by the Group in recent years. The food ingredients supply business is mainly a one-stop service providing to commercial consumers through the combination of online and offline operations, supplying fruits and vegetables, fresh produce, seasoning, dry foods and oil and other ingredients. The FMCG business is mainly comprised of the chain of community supermarket and convenience stores. The consumer group targeted by the community supermarket is mainly the residents community population. The community supermarket provides convenient goods and services for the fixed community residents through the combination of online and offline operations; the convenience stores chain is aimed at the consumer group which is a mobile population, and provides goods and services that are convenient for the mobile population by selling FMCG.

During the Year, the FMCG and food ingredients supply business realised revenue of approximately RMB119 million (2021: RMB108 million), accounting for approximately 4.13% (2021: 3.96%) of the Groups total revenue. We have been optimizing various sections under food ingredients supply and FMCG business including cost controlling and improving gross profit. However, the net loss has increased compared to that of 2021 due to mainly increase in impairment of property, plant and equipment and right-of-use assets during the Year.

Impairment losses under the expected credit loss model, net of reversal

Impairment losses under the expected credit loss model, net of reversal, amounted to loss approximately RMB1,401,000 (2021: loss RMB62,000), representing an increase approximately RMB1,339,000. The reason was mainly attributable to increase in expected credit loss.

Other Gains and Losses

Other gains and losses for the Year amounted to loss approximately RMB21,697,000 (2021: loss RMB19,410,000), representing an increase of approximately RMB2,287,000. Such increase was mainly due to the impact of the provision for the impairment loss recognised in respect of property, plant and equipment and right-of-use assets as compared to that of 2021.

Other Income

Other income for the Year amounted to approximately RMB47,502,000 (2021: RMB44,836,000), represented an increase of approximately RMB2,666,000. Such increase was mainly due to the increase of rental and sales of gas appliances, net.

Finance Costs

Finance costs for the Year amounted to approximately RMB3,518,000 (2021: RMB6,935,000), represented a decrease of approximately RMB3,417,000. Such decrease was mainly due to the decrease of interest on bank borrowings during the Year.

Selling and Distribution Expenses

Selling and distribution expenses for the Year amounted to approximately RMB152,814,000 (2021: RMB159,813,000), representing a decrease of approximately RMB6,999,000, which was mainly attributable to the decrease in staff costs.

Administrative Expenses

Administrative expenses for the Year amounted to approximately RMB102,739,000 (2021: RMB126,085,000), representing a decrease of approximately RMB23,346,000, which was mainly due to decrease in depreciation of right-of-use assets and decrease in staffs cost.

Share of Results of Associates

Share of results of the associates for the Year amounted to approximately RMB15,264,000 (2021: RMB15,629,000), represented a slightly decrease of approximately RMB365,000. Such slightly decrease was mainly attributable to the decrease in net profit generated by the Company's associates.

Share of Results of Joint Ventures

Share of results of joint ventures for the Year amounted to approximately RMB4,159,000 (2021: RMB53,698,000), represented a huge decrease of approximately RMB49,539,000. Such decrease was mainly attributable to the decrease in net profit generated by the Company's joint ventures as a result of decrease in gross profit of the Company's joint ventures.

Income Tax Expense

Income tax expense for the Year amounted to approximately RMB16,073,000 (2021: credit RMB2,543,000), represented an increase of approximately RMB18,616,000. Such increase was mainly attributable to have less over provision in current year.

Increase and Decrease of Projects during the Year

- (a) 昆明升建恒通氣體產品有限公司 (Kunming Shengjian Hengtong Gas Products Co., Ltd.)* (“Kunming Shengjian”)

On 1 March 2022, an indirectly wholly-owned subsidiary of the Company entered into equity transfer agreement to acquire 70% equity interest in Kunming Shengjian (the “**Acquisition**”) from the shareholders of Kunming Shengjian at the total consideration of RMB9,352,000. Kunming Shengjian was established in the PRC with limited liability and principally engaged in the provision of industrial gases required under operation to their industrial customers. The Group obtained control in Kunming Shengjian during the Year.

* *For identification purpose only*

(b) 山東中民氣體有限公司 (Shandong Zhongmin Gas Co., Ltd.*) (“Shandong Zhongmin”) (formally known as 單縣中鑫機動車檢測有限公司)

On 15 September 2022, 北京中民同金燃氣有限公司 (Beijing Zhongmin Tongjin Gas Co., Ltd.*) (“Beijing Zhongmin Tongjin”) and 河南中民燃氣有限公司 (Hebei Civigas Co., Ltd.*) (“Hebei Civigas”), indirectly wholly-owned subsidiaries of the Company entered into a capital injection agreement, which Beijing Zhongmin Tongjin and Hebei Civigas have contributed RMB13,530,600 to Shandong Zhongmin, representing 51% of equity interests (on the enlarged basis). The principal activity of Shandong Zhongmin is provision of LNG and other industrial gases for production and operation to their industrial customers. The Group obtained control in Shandong Zhongmin during the Year.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 31 December 2022, the consolidated financial position of the Group is as follows:

Currently, the sources of the operating and capital expenditure of the Group are operating cash flow, internal current capital, and bank borrowings. The Group has sufficient funds to meet future capital expenditures and operational needs.

Borrowing Structure

As at 31 December 2022, the total borrowings of the Group were approximately RMB85,520,000 (2021: RMB100,250,000), which comprised domestic bank borrowings denominated in RMB of the project companies in China. Bank borrowings (in which interest is calculated by reference to the interest rate announced by the People’s Bank of China plus certain basis points) are mainly applied to gas pipelines construction, as general working capital and for operating expenses. Apart from the borrowings of approximately RMB67,000,000 (2021: RMB48,250,000) which were secured by certain assets with carrying amount of approximately RMB67,098,000 (2021: RMB67,251,000), others were unsecured. Short-term borrowings amounted to approximately RMB85,020,000 (2021: RMB77,000,000), while others were long-term borrowings due after one year.

Capital Structure

The long-term capital of the Group comprised equity attributable to owners and borrowings, which was confirmed by the sound debt-to-capitalisation ratio.

* For identification purpose only

Foreign Exchange risk

As all of our operations are in China and substantially all of its revenue and expenses are denominated in Renminbi, there was no significant foreign exchange risk in its operation. We currently do not have foreign currency hedging policy but monitor the market trends of exchange rates closely, and adopt appropriate measures when necessary.

Contingent Liabilities

Details of contingent liabilities is set out in note 17 of this announcement.

Employees

For the year ended 31 December 2022, we had approximately 4,700 employees (including subsidiaries, associates and joint ventures), most of them were resided in Mainland China. The employees' salaries are determined from time to time with reference to their duties and responsibilities, business performance of the Group and profitability and market conditions. In addition to pension funds, individual employees may be granted discretionary bonus and/or share options as rewards for their outstanding performance.

Corporate Environmental and Social Responsibility

We adhere to pursue long-term sustainable development in the communities in which our business and operations located. We understand the importance of the views and interests of its stakeholders (such as shareholders, regulators, employees and the public) when making business decisions. We will continue to advance in corporate governance, energy conservation, remuneration of employees, general social welfare and etc.

Social Environment Protection

As a responsible clean energy distributor, we are committed to the promotion and the use of clean energy in order to minimise the environmental damage caused by energy demand for economic development. Through the construction of urban-gas distribution network, we encourage commercial and industrial customers and residential households to replace high polluting coal and oil with clean energy, and vigorously promote the “**Coal to Gas**” project. Coal-fired boilers are replaced by natural gas boilers to reduce pollutant emission.

Cooperate to Fight the Epidemic

At the beginning of 2020, the COVID-19 pneumonia epidemic has been spreading throughout the country, with a grim situation of epidemic prevention and control. As an enterprise caring people's livelihood, the Group has proactively responded to and coordinated with the society to fight the epidemic since the outbreak, and therefore committed to the social responsibility of listed companies.

In order to cooperate in the prevention and control of the epidemic, the Group has printed and distributed documents such as the “**Notice on Doing a Good Job in the Prevention and Control for the COVID-19 Pneumonia Epidemic**”, and made timely arrangements for the prevention and control for the epidemic with specified and unified operational instructions. During the epidemic, we purchased masks, disinfectant, gloves and other protective materials in a timely manner through various channels, carefully counted and dispatched the materials, and distributed them everyday according to the demands of different on-the-job personnel and posts, and employees were required to wear masks and take temperature everyday. Staff are arranged to be on duty to sterilise the business halls, stores, offices, canteens, gas distribution stations and other places everyday. All of these steps shall not be skipped for everyone of them.

In spite of achieving triumphant in the battle of epidemic prevention and control, ensuring supply gas is significant. Thus, the Group strives to ensure the safe and stable operation of gas fuel. We have strengthened emergency duty and safety inspection, so as to protect the safety of gas fuel facilities. The dispatch centre carries out 24-hour remote monitoring to the key gas fuel facilities through the system, performs all-weather and full-coverage patrol inspection to the gas supply districts, commercial customers, industrial customers and gas pipelines, and ensures the safe and stable operation of the gas pipeline network. On the premise of vigilantly exercising the preventive and control measures against epidemic diseases, frontline staff members such as emergency rescue, maintenance and business are always on their positions everyday, aiming to provide services to the customers.

In order to reduce the spread of virus caused by human contact and protect the health of our employees and customers, the Group temporarily suspended the on-site meter reading service during the epidemic prevention and control period. In the meantime, the Group intensified its promotional efforts in guiding customers to pay and recharge the credit through various platforms such as WeChat official account, thus encouraging customers to make contactless recharge.

PROSPECTS AND OUTLOOK

In recent years, major achievements have been made in China’s eco-green development. The comprehensive upgrading of eco-green development among all industries continues to optimize the energy structure, as well as accelerating the enhancement of low-carbon transport systems. In the future, energy revolutions which coordinate energy security and eco-green & low-carbon transformation will be further promoted in China, thus accelerating the construction of a clean, low-carbon, safe and efficient energy system.

The “**Double Carbon**” strategic goal launched by the central government has defined the direction for China’s economic development and energy structure adjustment. Currently, great positive progress has been achieved in the “**Double Carbon**” work. As the next step, China will unswervingly implement the major strategic decisions for “**peak carbon dioxide emissions and carbon neutrality**”, accelerate the development mode for eco-green transformation, and promote the eco-green and low-carbon transformation of industry.

In the future, the Group will remain committed to the concept of high-quality natural gas development and build a comprehensive natural gas security system which is safer, more stable and more efficient. It will put in place the decisions and deployments made by the central government on the natural gas industry, by proactive response to favorable policies such as “**peak carbon dioxide emissions and carbon neutrality**”. It will make full use of policies and the healthy development environment of the gas industry, to expand its market size and market share, while taking solid steps in developing its own industry. Meanwhile, the Group will formulate corresponding business risk response policies, and while enhancing the operating productivity and cost efficiency, we will also remain cautious in capital investment and maintain effective credit monitoring to minimize the risk of default of customers.

Piped Gas Transmission and Distribution Business

Since 2022, the repeated outbreak of the epidemic has made it impossible to fully recover the production capacity shortfall, and the continuous supply-side shock has led to a shortage of natural gas production capacity, which has brought varying impacts to energy companies. Thanks to the increasingly improved epidemic prevention and control policies and the economic recovery resulted from the resumption of work and production, the sales volume of national natural gas has experienced slow recovery. Although the development of natural gas has been affected by several unfavorable factors, the gas industry, driven by relevant favorable policies such as clean energy and low carbon, will encounter more challenges and be accompanied by many opportunities in the future market environment.

Natural gas is an important force in achieving the “**peak carbon dioxide emissions and carbon neutrality**” goals in the future. Currently and for a long time in the future, driven by the policy of “**peak carbon dioxide emissions and carbon neutrality**” target, natural gas, as a clean and low-carbon fossil energy, undertakes the mission of ensuring energy security during the transformation of national energy structure. At the same time, compared with other gas, pipeline natural gas supply is more stable and more competitive. The Group will take the full advantages of piped gas, so as to maintain existing users, identify new users, actively expand value-added business, and continue to promote the development of piped gas business at a steady pace.

Cylinder Gas Supply Business

With the policies such as peak carbon dioxide emissions and carbon neutrality and air pollution prevention and control, the energy market has entered a critical period of deepening reforms as a whole. As one of the urban gas sources, the cylinder gas is featured by cleanness, efficiency and flexibility and forms a strong complement to the piped gas business of the Group.

With the recurrence of the epidemic in 2022, various industries were varyingly affected in terms of benefits, with no exception to the gas industry. According to the favorable policies for the clean energy market in the medium and long term, such as clean energy and “coal-to-gas” as stated in the “14th Five-Year Plan”, the gas industry still has a long way to go. The prevailing digital trend in China accelerates the pace of digital transformation. As the development of in-house new strategic options for the enterprises is the trend in the future, enterprise-to-customer Internet technology innovation will also be one of the gas industry’s focus. The Group, in light of the characteristics of the cylinder gas industry and the actual business needs, will continue to develop and improve gas-supplying systems, to realize digital and information management of cylinder gas business, to realize electronic filling, distribution, information technology for reducing the operating costs and improving distribution efficiency, and to improve the safety and security capabilities of the cylinder gas business. Leveraging favorable policies and development environment and prospect, the Group will ensure safe operation and efficient transportation, so as to expand the market share of areas with no established presences, and create better economic performance.

Gas Distribution Business

Affected by the international circumstance, the price index of natural gas in the international energy market has been rising all the way, and the domestic LNG price has been greatly affected. The gas distribution business is faced with a huge challenge, as well as risks and opportunities in the gas distribution industry. Amid this, building on the established presence of gas distribution business, the Group will seize the development opportunities of the gas industry to further expand such business, with an aim to enhance the sales volume and income from the business again.

Food Ingredients Supply and FMCG Supply Business

In terms of food ingredients supply business, due to income increases and the impact of the epidemic, Chinese residents pay more attention to the freshness and high quality of ingredients. In recent years, the rapid development of technology and Internet technologies has greatly reduced the demand information gap between enterprises and customers, and big data has also been applied to conduct a clear analysis of the quality pursuits of residents and businesses for ingredients and goods. The Group works to strictly monitor every link of the industry, and analyze customer needs through the full combination of technology and realities. It also endeavours to firmly control the quality of food materials and improve operational efficiency. With a commitment to the business philosophy of the last mile between enterprises and residents, it will mainly rely on the diversified online and offline operation pattern and deliver fresh and high-quality ingredients to customers in a more efficient and more accessible way.

In terms of the FMCG business, the advancement of China's digital development and the innovation of the Internet technologies have greatly contributed to the retail industry in the new era. People are concerned more about their spiritual needs and service experience. The huge consumer market in China has also brought more opportunities and challenges to the retail industry. In light of the above, the Group will deeply explore the needs of residents and enrich its offerings in terms of the store business. Leveraging the combination of convenience stores and supermarkets, the Group will make efforts to expand its market network, and integrate consumer groups of the store business, so as to further enhance its own brands. It will also make more key breakthroughs to reduce the impact of the special external environment, and ensure the quality of goods while improving the quality of services. These efforts will enable it to satisfy the shopping needs of new and existing consumers in a maximum way.

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

Throughout the Year and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the Year and up to the date of this announcement, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the Year.

The Company is not aware of any non-compliance with Model Code in the Year.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's consolidated financial statements for the Year, including the accounting principles adopted by the Group, with the Company's management.

SCOPE OF WORK OF FAN, CHAN & CO. LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Year as set out in the announcement have been agreed by the Group's auditor, Fan, Chan & Co. Limited ("**Fan, Chan & Co.**"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Fan, Chan & Co. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Fan, Chan & Co. on the announcement.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The annual results announcement and annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.681hk.com in due course.

On behalf of the Board of
Chinese People Holdings Company Limited
Mr. Fan Fangyi
Managing Director and Executive Director

Beijing, 31 March 2023

As at the date of this announcement, the Board comprises five Executive Directors namely, Dr. Mo Shikang (Chairman), Mr. Zhang Hesheng (Deputy Chairman), Mr. Fan Fangyi (Managing Director), Miss Mo Yunbi and Ms. Li Fun Replen and three Independent Non-executive Directors namely, Dr. Liu Junmin, Prof. Zhao Yanyun and Mr. Cheung Chi Ming.