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 2023

FINANCIAL HIGHLIGHT

Revenue of the Group amounted to approximately RMB2,514 million (2022: RMB2,868 million).

Loss for the Year amounted to approximately RMB227 million (2022: Profit RMB62 million (restated)).

Loss per share for the Year was RMB2.59 cents (2022: Earning per share RMB0.40 cents (restated)).

We do not recommend the payment of a final dividend for the Year (2022: 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 2023 (the "**Year**") together with the comparative figures for the corresponding year of 2022 are 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 (Restated)
Revenue	4	**2,513,521**	2,867,697
Cost of sales		**(2,200,930)**	(2,577,691)
Gross profit		**312,591**	290,006
Impairment loss under the expected credit loss ("**ECL**") model, net of reversal	5	**(8,291)**	(1,401)
Other gains and losses, net	6	**(66,632)**	(21,697)
Other income	7	**42,620**	47,502
Finance costs	8	**(4,494)**	(3,518)
Selling and distribution expenses		**(141,604)**	(152,814)
Administrative expenses		**(115,198)**	(102,739)
Share of results of associates		**21,349**	15,264
Share of results of joint ventures		**(242,653)**	4,159
(Loss) profit before tax	10	**(202,312)**	74,762
Income tax expense	9	**(24,947)**	(12,545)
(Loss) profit for the year		**(227,259)**	62,217
Other comprehensive (expense) income 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 (expense) income ("**FVTOCI**") net of tax		**(17,240)**	19,784
Other comprehensive (expense) income for the year		**(17,240)**	19,784
Total comprehensive (expense) income for the year		**(244,499)**	82,001

	Note	**2023**	2022
		RMB'000	*RMB'000*
			(Restated)
(Loss) profit for the year attributable to:			
Owners of the Company		**(231,749)**	35,655
Non-controlling interests		**4,490**	26,562
		(227,259)	62,217
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(248,902)**	55,555
Non-controlling interests		**4,403**	26,446
		(244,499)	82,001
(Loss) earning per share		**RMB**	RMB
– basic	*12*	**(2.59) cents**	0.40 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment		**927,144**	946,078	908,381
Right-of-use assets		**98,302**	93,632	105,396
Investment properties		**3,770**	4,540	10,720
Goodwill		**–**	–	–
Intangible assets		**18,355**	19,584	20,814
Interests in associates		**174,052**	152,703	137,439
Interests in joint ventures		**1,104,454**	1,347,107	1,342,948
Deferred tax assets		**3,163**	4,792	5,084
Equity instruments at FVTOCI		**107,733**	127,544	104,119
Long-term deposits		**18,435**	22,352	48,285
Loan receivable		**–**	–	26,133
		2,455,408	2,718,332	2,709,319
Current assets				
Inventories		**47,033**	48,925	50,993
Trade, bills and other receivables and prepayments	*13*	**195,596**	253,155	204,644
Contract assets		**34,072**	27,307	37,494
Financial assets at FVTPL		**16,595**	–	1,405
Bank deposits		**211,468**	–	–
Cash and cash equivalents		**393,033**	555,115	575,164
		897,797	884,502	869,700
Current liabilities				
Trade and other payables	*14*	**274,020**	266,288	245,355
Contract liabilities		**231,903**	219,632	238,453
Tax liabilities		**9,224**	12,953	22,074
Lease liabilities		**3,730**	3,488	3,507
Bank borrowings – due within one year		**81,600**	85,020	77,000
		600,477	587,381	586,389

	2023	2022	2021
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Net current assets	**297,320**	297,121	283,311
Total assets less current liabilities	**2,752,728**	3,015,453	2,992,630
Capital and reserves			
Share capital	**564,507**	564,507	564,507
Reserves	**1,935,642**	2,184,544	2,134,681
Equity attributable to owners of the Company	**2,500,149**	2,749,051	2,699,188
Non-controlling interests	**218,502**	233,373	234,130
Total equity	**2,718,651**	2,982,424	2,933,318
Non-current liabilities			
Bank borrowings – due after one year	**175**	500	23,250
Lease liabilities	**16,162**	11,808	14,666
Deferred tax liabilities	**17,740**	20,721	21,396
	34,077	33,029	59,312
	2,752,728	3,015,453	2,992,630

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 Civios Group Limited, incorporated in the British Virgin Islands with limited liability, and the ultimate 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 food ingredients supply and fast moving consumer goods ("**FMCG**") business including the operation of chain stores including supermarkets and a convenience store in the PRC.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the "**Group**").

2. APPLICATION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

a. New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

- HKFRS 17, *Insurance contracts (including the October 2020 and amendments to February 2022 HKFRS 17)*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

- Amendments to HKAS 12, *lncome taxes: International tax reform – Pillar Two model rules*

The application of the new and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements except as discussed below. In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

  The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

  Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, and previous year adjustments have been made.

b. Impacts of application of amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction on the consolidated financial statements

The following table summarises the impacts of the changes in accounting policies as a result of application of amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction on the Group's consolidated statement of profit or loss and other comprehensive income and (loss)/earning per share:

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022:

	As previously reported	**Effect of adoption of the HKICPA guidance**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Income tax expense	16,073	(3,528)	12,545
Profit for the year	58,689	3,528	62,217
Profit attributable to equity shareholders of the Company	32,890	2,765	35,655
Profit attributable to non-controlling interests	25,799	763	26,562
Total comprehensive income for the year	78,473	3,528	82,001
Total comprehensive income attributable to equity shareholders of the Company	52,790	2,765	55,555
Total comprehensive income attributable to non-controlling interests	25,683	763	26,446
Earning per share			
Basic	0.37 cents	0.03 cents	0.40 cents

The following table summarises the impacts of the changes in accounting policies as a result of application of amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction on the Group's consolidated statement of financial position at the end of the immediately preceding financial year, 31 December 2022 and the beginning of the comparative period, 1 January 2022, are as follows:

	31/12/2022 **(Originally stated)**	**Adjustments**	31/12/2022 **(Restated)**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	**5,264**	**(472)**	**4,792**
Deferred tax liabilities	**20,919**	**(198)**	**20,721**
Total effects on the net assets		**(274)**	
Non-controlling interests	**233,519**	**(146)**	**233,373**
Retained profits	**733,244**	**(128)**	**733,116**
Total effects on equity		**(274)**	

	1/1/2022 (Originally stated)	Adjustments	1/1/2022 (Restated)
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	5,649	(565)	5,084
Deferred tax liabilities	18,159	3,237	21,396
Total effects on the net assets		(3,802)	
Non-controlling interests	235,039	(909)	234,130
Retained profits	733,323	(2,893)	730,430
Total effects on equity		(3,802)	

c. New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective, in these consolidated financial statements.

	Effective for accounting periods beginning on or after
• Amendments to HKFRS 10 and HKAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
• Amendments to HKFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
• Amendments to HKAS 1, *Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)*	1 January 2024
• Amendments to HKAS 1, *Non-current Liabilities with Covenants*	1 January 2024
• Amendments to HKAS 7 and HKFRS 17: *Supplier Financing Arrangement*	1 January 2024
• Amendments to HKAS 21: *Lack of Exchangeability*	1 January 2025

The directors of the Company anticipate that the application of all these 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) food ingredients supply and FMCG. 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 to end-user households, industrial and commercial customers 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) Food ingredients supply and FMCG – 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 operating and reportable segment for the two years:

For the year ended 31 December 2023

	Piped gas transmission and distribution *RMB'000*	**Cylinder gas supply** *RMB'000*	**Gas distribution** *RMB'000*	**Food ingredients supply and FMCG** *RMB'000*	**Total** *RMB'000*
Segment revenue from external customers	**1,169,580**	**655,574**	**585,726**	**102,641**	**2,513,521**
Segment profit (loss)	**35,661**	**3,061**	**4,096**	**(7,515)**	**35,303**
Unallocated income					**7,646**
Central administration costs					**(9,155)**
Share of results of associates					**21,349**
Share of results of joint ventures					**(242,653)**
Unallocated impairment loss of property, plant and equipment					**(10,308)**
Finance costs					**(4,494)**
Loss before tax					**(202,312)**

For the year ended 31 December 2022

	Piped gas transmission and distribution *RMB'000*	Cylinder gas supply *RMB'000*	Gas distribution *RMB'000*	Food ingredients supply and FMCG *RMB'000*	Total *RMB'000*
Segment revenue from external customers	954,241	743,744	1,051,239	118,473	2,867,697
Segment profit (loss)	62,017	17,105	4,472	(25,524)	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					(3,518)
Profit before tax					74,762

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 material 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 and impairment loss of property, plant and equipment. 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

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Sales of piped gas	**1,045,703**	833,924
Piped gas connection	**123,877**	120,317
Cylinder gas supply	**655,574**	743,744
Gas distribution	**585,726**	1,051,239
Food ingredients supply and FMCG	**102,641**	118,473
	2,513,521	2,867,697
Timing of revenue recognition		
On point in time basis	**2,389,644**	2,747,380
On over time basis	**123,877**	120,317
	2,513,521	2,867,697

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

	2023	2022
	RMB'000	*RMB'000*
Impairment loss, net of reversal		
Trade receivables from contracts with customers	**639**	(1,250)
Other receivables	**(8,930)**	(151)
	(8,291)	(1,401)

6. OTHER GAINS AND LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment and right-of-use assets	**(2,093)**	(269)
Loss on disposal of an investment property	**(79)**	(1,652)
Fair value gain (loss) on financial assets at FVTPL	**95**	(3)
Net foreign exchange gain	**1,320**	4,251
Fair value loss on investment properties	**(480)**	(2,080)
Bargain purchase gain on acquisition of a subsidiary	**–**	11
Difference arising on acquisition	**–**	1,405
Impairment loss recognised in respect of		
– Property, plant and equipment	**(63,755)**	(11,914)
– Right-of-use assets	**(1,640)**	(11,446)
	(66,632)	(21,697)

7. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Bank interest income	**6,520**	5,293
Interest income from financial assets at FVTPL	**277**	–
Imputed interest income from loan receivable	**–**	164
Rental income, net	**3,293**	8,664
Dividend income from an equity instrument at FVTOCI	**646**	–
Repair and maintenance services income	**57**	1,635
Sales of gas appliances, net	**20,211**	22,771
Incentive subsidies *(note)*	**2,081**	1,387
Others	**9,535**	7,588
	42,620	47,502

Note:

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

8. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on bank borrowings	**3,426**	2,577
Interest on lease liabilities	**1,068**	941
	4,494	3,518

9. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
PRC Enterprise Income Tax ("**EIT**"):		
– Current tax	**22,710**	16,903
– Under (over) provision in prior years	**934**	(484)
Deferred taxation	**1,303**	(3,874)
	24,947	12,545

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% (2022: 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

For the year ended 31 December 2023

In accordance with the announcement no. 12 of 2023 regarding《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》("Announcement on Tax and Fee Policies for Further Supporting the Development of 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 2023 to 31 December 2027, in respect of the portion of taxable income for the year derived by the Group's small profitmaking enterprises, the annual taxable income shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%.

For the year ended 31 December 2022

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. (LOSS) PROFIT BEFORE TAX

	2023	2022
	RMB'000	*RMB'000*
Directors' emoluments	**6,030**	5,724
Other staff costs (excluding directors)		
– Salaries, allowances and benefits in kind	**141,413**	130,987
– Retirement benefits scheme contributions	**20,931**	18,361
Total staff costs	**168,374**	155,072
Cost of inventories recognised as expenses	**2,140,039**	2,518,172
– Costs of gas purchased	**1,952,727**	2,321,572
– Costs of merchandise sold	**87,055**	105,170
– Manufacturing costs	**100,257**	91,430
Auditor's remuneration		
– Audit services	**1,000**	1,000
– Non-audit services	**–**	5
Depreciation and amortisation		
– Property, plant and equipment	**59,080**	57,111
– Right-of-use assets	**5,300**	6,620
– Intangible assets	**1,229**	1,230
Contract cost recognised as expense in respect of gas connection construction contracts (included in cost of sales)	**60,891**	59,519

* *For identification purpose only*

11. DIVIDEND

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting year.

12. (LOSS) EARNING PER SHARE

The calculation of the basic (loss) earning per share attributable to the owners of the Company is based on the following data:

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
(Loss) earning		
(Loss) profit for the year attributable to the owners of the Company and for the purpose of basic (loss) earning per share	**(231,749)**	35,655

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earning per share	**8,934,561,203**	8,934,561,203

No diluted (loss) earning per share is presented for both years as there was no potential ordinary shares in issue.

13. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**60,978**	73,120
Bills receivables	**6,677**	6,965
	67,655	80,085
Less: Allowance for credit losses	**(10,759)**	(13,548)
Total trade and bills receivables (net of ECL)	**56,896**	66,537
Deposits paid for purchases of natural gas; cylinder gas; merchandises and construction materials	**83,670**	101,946
Rental and utilities deposits and prepayments	**7,914**	4,058
Other tax recoverable	**11,171**	13,720
Amounts due from non-controlling interests	**17,075**	25,385
Other receivables and deposits	**43,084**	65,343
Total other receivables and prepayments	**162,914**	210,452
Less: Allowance for credit losses	**(24,214)**	(23,834)
Total other receivables and prepayments (net of ECL)	**138,700**	186,618
	195,596	253,155

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 bills 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:

	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	**40,920**	48,099
91 to 180 days	**3,119**	5,750
Over 180 days	**6,180**	5,723
Trade receivables	**50,219**	59,572
0 to 90 days	**3,680**	2,766
91 to 180 days	**2,997**	2,199
Over 180 days	**–**	2,000
Bills receivables	**6,677**	6,965

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:

	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	**103,133**	89,621
91 to 180 days	**7,968**	4,547
Over 180 days	**13,766**	15,238
Trade payables	**124,867**	109,406
Bills payable	**–**	4,000
Piped gas customers deposits	**19,662**	15,348
Amounts due to non-controlling interests of subsidiaries	**814**	1,676
Amount due to a joint venture	**96**	–
Other tax payables	**27,712**	29,842
Wages and staff benefits	**20,536**	17,609
Retention payables and security deposits received	**35,542**	32,140
Compensation received in advance	**15,699**	15,792
Accrued charges and other payables		
– Endorsement of bills	**3,675**	1,080
– Property, plant and equipment	**4,219**	8,647
– Reimbursement	**4,702**	5,642
– Others	**16,496**	25,106
Total trade and other payables	**274,020**	266,288

15. CAPITAL AND OTHER COMMITMENTS

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

	2023	2022
	RMB'000	*RMB'000*
Purchases of:		
Property, plant and equipment	**11,093**	16,828
Right-of-use assets	**13,986**	15,336
	25,079	32,164

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:

	2023	2022
	RMB'000	*RMB'000*
Property, plant and equipment	**151,819**	64,475
Right-of-use assets	**1,198**	2,623
	153,017	67,098

Restrictions on assets

In addition, lease liabilities of approximately RMB19,892,000 (2022: RMB15,296,000) are recognised with related right-of-use assets of RMB10,847,000 (2022: RMB5,355,000) as at 31 December 2023. 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.

A natural gas charging right was pledged from 17 March 2022 to 16 March 2025 as collateral. The assessed or negotiated value of the collateral between the Group and the bank is RMB276,171,100.

17. CONTINGENT LIABILITIES

As at 31 December 2023, the Group has no significant contingent liability.

18. EVENTS AFTER REPORTING PERIOD

The Group has no significant events after reporting period.

19. COMPARATIVE FIGURES

As a result of the application of amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction, certain comparative figures have been adjusted to conform current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2023. Further details of the changes in accounting policies are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The revenue was reduced for the year ended 31 December 2023, the revenue of the Group was approximately RMB2,514 million (2022: RMB2,868 million) and the loss for the Year was approximately RMB227 million (2022: profit RMB62 million (Restated)) mainly due to share of loss of joint ventures of approximately RMB243 million for the year ended 31 December 2023. For the year ended 31 December 2023, our joint ventures had made a significant net loss in its book due to the substantial impairment loss was recognized in respect of its property, plant and equipment, right-of-use assets and intangible assets (the "**Impairment**"). Basic loss per share was RMB2.59 cents (2022: Earnings per share RMB0.40 cents (Restated)). The overall gross profit margin of the Group for the Year was 12.44% (2022: 10.11%), representing an increase of 2.33 percentage points as compared to that of 2022. During the Year, the overall gross profit margin increased as a result of the increase in piped gas price and the decrease in the price of cylinder gas and other goods.

Last but not least, assuming if there was no such Impairment, our joint ventures would turn around from net loss to net profit for the year ended 31 December 2023. In other words, the business of the Group is stable for the year ended 31 December 2023 and the Group's net loss would be turned to net profit for the year ended 31 December 2023 if no such Impairment.

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 one of the Group's main businesses and main source of income. During the Year, revenue of approximately RMB1,169 million (2022: RMB954 million) was recorded from the Groups' provision of piped gas transmission and distribution business, which accounted for approximately 46.53% (2022: 33.28%) of the Group's total revenue. The overall gross profit margin of piped gas transmission and distribution business for the Year was approximately 11.67% (2022: 12.82%). During the Year, the gross profit margin slightly decreased due to the increase in gas purchase and selling prices of gases.

Piped Gas Connection

During the Year, revenue from piped gas connection was approximately RMB124 million (2022: RMB120 million). Revenue from piped gas connection represented approximately 10.60% (2022: 12.61%) 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 50.85% (2022: 50.53%). During the Year, the Group had an addition of 28,549 units of residential household customers and 781 units of commercial and industrial customers, respectively. At the end of the Year, the Group had an accumulated number of connected residential household customers and commercial and industrial customers of 566,904 units and 12,310 units respectively, representing a growth of approximately 5.30% and 6.77% over that of 2022, respectively. During the Year, the gross profit margin of the gas connection business was unchanged from that of the previous year.

Sales of piped gas

During the Year, revenue from piped gas sales was approximately RMB1,045 million (2022: RMB834 million). Revenue from piped gas sales accounted for approximately 89.40% (2022: 87.39%) of the total revenue from the piped gas business. The gross profit margin of piped gas sales was 7.02% (2022: 7.38%). During the Year, the Group's sales volume of piped gas was 418.35 million m^3, among the total sales, 128.28 million m^3 (2022: 117.64 million m^3) were sold to residential household customers; 290.07 million m^3 (2022: 266.35 million m^3) were sold to commercial and industrial customers. During the Year, piped gas sales volume maintained steady growth, and gross profit margin slightly decreased due to higher purchase and sales prices.

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, the Group sold a total of 96,332 tons of cylinder gas (2022: 99,717 tons), which contributed a total sales revenue of approximately RMB656 million (2022: RMB744 million). During the Year, revenue from cylinder gas supply business accounted for approximately 26.09% (2022: 25.93%) of our total revenue. The gross profit margin of cylinder gas supply business was approximately 23.52% (2022: 19.76%). During the Year, affected by the market, the sales volume and revenue attributable to the customers decreased as a result of the decrease in customer demand, while the gross profit margin increased as a result of the decrease in gas purchase and selling price.

Gas Distribution Business

During the Year, the Group's gas distribution business sold a total of 135,994 tons of gas (2022: 182,939 tons), which contributed a total sales revenue of approximately RMB586 million (2022: RMB1,051 million). During the Year, gas sales volume decreased substantially by approximately 25.66% and revenue decreased by approximately 44.24% as compared with 2022. During the Year, the gas distribution business accounted for approximately 23.31% (2022: 36.66%) of our total revenue. The gross profit margin of gas distribution was approximately 1.09% (2022: 0.70%). During the Year, the Group continued to develop and serve customers. However, due to the influence of the market and drop in sales volumes, both purchase and sales prices decrease, resulting in an increase of the gross profit margin.

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

Food ingredients supply and the FMCG business is the new business vigorously developed by the Group in recent years. The food ingredients supply business is mainly a 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 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; while the target customers of the convenience stores is the community residents with temporary sales needs, which is being satisfied by provision of convenient goods and services to community residents with immediate need by selling FMCG.

During the Year, the food ingredients supply and FMCG business realised revenue of approximately RMB103 million (2022: RMB119 million), accounting for approximately 4.07% (2022: 4.13%) of the Group's total revenue. The Group has been optimising various sections under food ingredients supply and FMCG business including cost controlling and improving gross profit. As a result, the segment loss decreased compared with that of 2022.

Impairment Losses under the ECL Model, Net of Reversal

Impairment loss under the ECL model, net of reversal, amounted to loss approximately RMB8,291,000 (2022: loss RMB1,401,000), representing an increase approximately RMB6,890,000 as compared with the corresponding period of last year. The reason was mainly attributable to increase in expected credit loss in other receivables.

Other Gains and Losses, Net

Other gains and losses for the Year amounted to loss approximately RMB66,632,000 (2022: RMB21,697,000), representing an increase of approximately RMB44,935,000 as compared with the corresponding period of last year. It was mainly attributable to increase in impairment loss recognised in respect of propery, plant and equipment.

Other Income

Other income for the Year amounted to approximately RMB42,620,000 (2022: RMB47,502,000), represented a decrease of approximately RMB4,882,000 as compared with the corresponding period of last year. The decrease was mainly due to decrease in rental income.

Finance Costs

Finance costs for the Year amounted to approximately RMB4,494,000 (2022: RMB3,518,000), represented an increase of approximately RMB976,000 as compared with the corresponding period of last year. The increase was mainly due to increase in interest on bank borrowings.

Selling and Distribution Expenses

Selling and distribution expenses for the Year amounted to approximately RMB141,604,000 (2022: RMB152,814,000), representing a decrease of approximately RMB11,210,000 as compared with the corresponding period of last year, which was mainly attributable to decrease in revenue.

Administrative Expenses

Administrative expenses for the Year amounted to approximately RMB115,198,000 (2022: RMB102,739,000), representing an increase of approximately RMB12,459,000 as compared with the corresponding period of last year, which was mainly attributable to increase in staffs costs.

Share of Results of Associates

Share of profit of associates for the Year was approximately RMB21,349,000 (2022: RMB15,264,000), representing an increase of approximately RMB6,085,000 as compared with the corresponding period of last year, which was mainly attributable to the increase in profits generated from the associates of the Company.

Share of Results of Joint Ventures

Share of loss of joint ventures for the Year amounted to approximately RMB242,653,000 (2022: profit RMB4,159,000), represented a significant increase of loss of movement approximately 5,934% as compared with the corresponding period of last year. The significant increase of loss was mainly due to our joint ventures had made a significant net loss in its book for the year ended 31 December 2023 because a substantial impairment loss was recognised in respect of its property, plant and equipment, right-of-use assets and intangible assets for the year ended 31 December 2023 due to reasons, including but not limited to, the slumping property market and related business sectors in the PRC.

Income Tax Expense

Income tax expense for the Year amounted to approximately RMB24,947,000 (2022: RMB12,545,000 (Restated)), represented an increase of approximately RMB12,402,000 year-on-year. Such increase was mainly attributable to increase in PRC Enterprise Income Tax in current year.

Material Acquisitions or Disposals

There was no material acquisitions or disposals for the Year.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 31 December 2023, 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 2023, the total borrowings of the Group were approximately RMB81,775,000 (2022: RMB85,520,000), 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 Loan Prime Rate announced by the Peoples 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 RMB62,000,000 (2022: RMB67,000,000) which were secured by certain assets with carrying amount of approximately RMB153,017,000 (2022: RMB67,098,000), others were unsecured. Short-term borrowings amounted to approximately RMB81,600,000 (2022: RMB85,020,000), 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.

Foreign Exchange Risk

As all of the Group's operations are in China and substantially all of its revenue and expenses are denominated in RMB, 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 2023, we had approximately 4,900 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 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 business operator, 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.

PROSPECTS AND OUTLOOK

2023 marked the first year of economic recovery and development after the transition period of three years of pandemic prevention and control. The PRC government has put forward a series of new requirements for "promoting green development and promoting harmonious coexistence between human and nature". For promoting green development, profound changes have taken place in China's internal and external environment and policy requirements. At the same time, substantial progress has been made in the development of green industries, and new technologies, new business forms and new modes of green and low-carbon have been emerging. 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 its environmental policies, 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 minimise the risk of default of customers.

Piped Gas Transmission and Distribution Business

In 2023, non-fossil energy accounted for more than 40% of the total new energy production. Thus, the energy production and supply system accelerated the development of low-carbon. Green and low-carbon technologies will be among the world's leading companies. The energy industry chain has become more green and modernised. At the same time, we should firmly establish the basis for safe carbon reduction, continuously enhance the energy production and supply capacity, improve the independent guarantee level, and provide reliable momentum for promoting Chinese-style modernisation. We shall fully realise the role of fossil energy as a backstop, strengthen clean and efficient utilisation, and enhance the role of supporting and regulating the low-carbon transition of energy.

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.

In view of the favorable policies for clean energy market in the medium-term future (such as clean energy policies and "coal-to-gas changing" which are pointed out in the "14th Five-Year Plan"), there remains a long way to go for the development of gas industry. 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 industrys focus. The Group, in light of the characteristics of the cylinder gas industry and the actual business needs, will continue to develop and improve CVG gas management systems, to realise digital and information management of cylinder gas business, to realise 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

In 2023, the price of energy shown its change from increasing to decreasing. Affected by the downward trend of international oil prices, the price of energy changed from an increase of 11.2% last year to a decrease of 2.6%. The changes in the international market led to the downward trend of the prices of the relevant industries. Among which, the price of oil and gas exploitation decreased between 8.3% and 10.2% for the whole year. 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.

The construction of ecological civilisation in China has entered a critical period, in which, carbon reduction is the key strategic direction. The regulation and control of total energy consumption and intensity have been improved, which is more focusing on the dual control system of total carbon emission and intensity. The aim of improving the national oil and gas security capability is to ensure the stable and reliable supply of fuel gas. The Group will strengthen the construction of gas distribution system, enhance the efficiency, as well as strengthen the safety management in gas operation, thus establishing a complete safety management system of safety inspection, supervision, rectification and elimination of hidden perils, so as to ensure the safe operation of the Group.

The Food Ingredients Supply and FMCG Business

In respect of the supply of food business, based on the Internet, the Internet of things, big data and other high-tech technologies, we have optimised supply chain management – from customers order, goods procurement, sorting, logistics distribution to after-sales service. We have enhanced the efficiency of distribution through our integrated platform management and intelligent management. The Group works to strictly monitor every link of the industry, and analyse 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 retail business, as the economy of the society have fully restored to its normal operation, consumption potential unleashed under the release of consumption policies. Thus, the consumption has been recovering quickly. While consumers have gradually focused on spiritual demand and experience, more opportunities and challenges are faced by the retail industry among the PRC's huge consumer market. The Group will further tap into the needs of the residents, enrich its products and enhance its service standard. Leveraging the combination of supermarkets and convenience stores, 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 all the code provisions set out in the Corporate Governance Code contained in Appendix C1 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 C3 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's employees, who are likely to be in possession of unpublished inside information, have been requested to comply with provisions similar to those terms in the Model Code.

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 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.681hk.com and be despatched to the Sharehoders, if required, in due course.

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

Beijing, 28 March 2024

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.