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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

FINANCIAL HIGHLIGHTS

Revenue decreased by 4.16% to approximately RMB1,001 million (2019: RMB1,045 million) which was attributable to mainly decrease in sales and distribution of cylinder gas.

Profit for the Period amounted to approximately RMB116.55 million (2019: RMB111.70 million), increased 4.35%.

Basic earnings per share was RMB1.04 cents (2019: RMB0.95 cents).

The Board does not recommend the payment of an interim dividend (2019: nil).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Chinese People Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020 (“**Period**”), together with the unaudited comparative figures for the corresponding period in 2019. These interim results have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		(Unaudited)	
		Six months ended	
		30 September	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>		
Revenue	3	1,001,456	1,044,891
Cost of sales and services		(817,198)	(864,315)
Gross profit		184,258	180,576
Other gains and losses	4	(1,064)	(5,769)
Other income	5	20,829	12,233
Finance costs	6	(5,627)	(5,730)
Selling and distribution expenses		(71,040)	(72,442)
Administrative expenses		(61,852)	(60,290)
Share of results of associates		10,814	18,667
Share of results of joint ventures		59,044	59,786
Profit before tax	7	135,362	127,031
Income tax expense	8	(18,810)	(15,339)
Profit for the period		116,552	111,692
Other comprehensive income (expense) for the period			
Item that will not reclassified subsequently to profit or loss			
– Fair value change on equity instruments at fair value through other comprehensive income (“FVTOCI”), net of tax		7,698	(6,957)
Total comprehensive income for the period		124,250	104,735

		(Unaudited)	
		Six months ended	
		30 September	
		2020	2019
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period attributable to:			
	Owners of the Company	93,155	85,145
	Non-controlling interests	23,397	26,547
		<u>116,552</u>	<u>111,692</u>
Total comprehensive income attributable to:			
	Owners of the Company	100,968	79,186
	Non-controlling interests	23,282	25,549
		<u>124,250</u>	<u>104,735</u>
Earnings per share			
		<i>RMB</i>	<i>RMB</i>
	– basic	<u>1.04 cents</u>	<u>0.95 cents</u>
	– diluted	<u>n/a</u>	<u>n/a</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		At 30 September 2020 (Unaudited) RMB'000	At 31 March 2020 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		851,238	820,866
Investment properties		16,780	16,780
Right-of-use assets		91,034	91,884
Goodwill		7,349	7,064
Intangible assets		22,528	23,138
Interests in associates		135,373	126,726
Interests in joint ventures		1,328,730	1,269,685
Deferred tax assets		4,274	4,274
Equity instruments at FVTOCI		44,010	33,745
Long-term deposits		12,144	26,952
		<u>2,513,460</u>	<u>2,421,114</u>
Current assets			
Inventories		57,985	44,390
Trade, bills and other receivables and prepayments	11	216,471	175,555
Contract assets		14,976	21,007
Amount due from a joint venture		14,000	15,310
Financial assets at fair value through profit or loss ("FVTPL")		–	201,942
Bank balances and cash		546,771	276,796
		<u>850,203</u>	<u>735,000</u>
Current liabilities			
Trade and other payables	12	203,133	201,426
Contract liabilities		277,907	165,293
Tax liabilities		42,601	41,266
Amount due to an associate		352	1,589
Lease liabilities		5,479	6,347
Bank borrowings – due within one year	13	66,000	66,700
		<u>595,472</u>	<u>482,621</u>
Net current assets		<u>254,731</u>	<u>252,379</u>
Total assets less current liabilities		<u><u>2,768,191</u></u>	<u><u>2,673,493</u></u>

		At 30 September 2020 (Unaudited) <i>RMB'000</i>	At 31 March 2020 (Audited) <i>RMB'000</i>
Capital and reserves			
Share capital		564,507	564,507
Reserves		<u>1,904,745</u>	<u>1,803,783</u>
Equity attributable to owners of the Company		2,469,252	2,368,290
Non-controlling interests		<u>214,216</u>	<u>207,781</u>
Total equity		<u>2,683,468</u>	2,576,071
Non-current liabilities			
Lease liabilities		19,178	21,556
Bank borrowings – due after one year	13	52,000	65,000
Deferred tax liabilities		<u>13,545</u>	<u>10,866</u>
		<u>84,723</u>	<u>97,422</u>
		<u>2,768,191</u>	<u>2,673,493</u>

NOTES:

1. GENERAL INFORMATION

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

The Company’s immediate and ultimate holding company is Ping Da Development Limited, a company incorporated in the British Virgin Islands, which is jointly owned by Dr. Mo Shikang and Miss Mo Yunbi, who are the executive directors of the Company.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Interim Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the Interim Financial Information are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020.

Application of new and revised HKFRSs

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following new and revised standards, amendments and Interpretations (collectively referred to as the “**new and revised HKFRSs**”) issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s Interim Financial Information:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and all new and revised HKFRSs has no material impact on the Group’s financial position and financial performance for the current and/or prior periods and/or on the disclosure set out in the Interim Financial Information.

The Group has not applied any new and revised HKFRSs that have been issued but not yet effective for the current accounting period.

Accounting policies newly applied by the Group

In addition, the Group has applied the following policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

3. SEGMENT INFORMATION

Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision makers ("CODM"), being the managing director of the Company, in order to allocate resources to the segments and assess their performance.

The Group determines its operating segments based on the internal reports reviewed by the CODM to facilitate strategic decision making.

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) provision of piped gas; (ii) sale and distribution of cylinder gas; (iii) gas trading business 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:

- (i) Provision of piped gas – sales of piped gas and construction of gas pipeline networks under gas connection contracts;
- (ii) Sales and distribution of cylinder gas – sales and distribution of gas using tank containers to end-user residential household, industrial and commercial ("C/I") customers;
- (iii) Trading of gas – sales of gas to C/I customers; and
- (iv) FMCG and food ingredients supply – wholesales and retail of merchandise (including but not limited to rice; meat; fresh food; FMCG and bottled drinking water) through supermarket and convenience stores.

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

Segment results represent the profit (loss) before tax earned (loss incurred) by each segment without allocation of central administration costs, share of results of associates and joint ventures, certain other income and other gains and losses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Amounts of segment assets and liabilities of the Group are not reviewed by the CODM or otherwise regularly provided to the CODM.

There were no inter-segment sales in the current period (2019: nil).

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

For the six months ended 30 September 2020

	Provision of piped gas <i>RMB'000</i>	Sales and distribution of cylinder gas <i>RMB'000</i>	Trading of gas <i>RMB'000</i>	FMCG and food ingredients supply <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue from external customers	<u>299,567</u>	<u>345,746</u>	<u>306,971</u>	<u>49,172</u>	<u>1,001,456</u>
Segment profit (loss)	<u>45,744</u>	<u>23,510</u>	<u>415</u>	<u>(3,907)</u>	65,762
Unallocated income					9,641
Central administration costs					(4,272)
Share of results of associates					10,814
Share of results of joint ventures					59,044
Finance costs					<u>(5,627)</u>
Profit before tax					<u>135,362</u>
Other segment information					
Amounts included in the measure of segment results:					
Depreciation and amortisation	17,998	8,555	532	3,482	30,567
Unallocated depreciation and amortisation					<u>1,407</u>
Total					<u>31,974</u>
(Gain) loss on disposal of property, plant and equipment	(68)	50	-	(97)	<u>(115)</u>
Amounts regularly provided to the CODM but not included in the measure of segment results:					
Interests in associates					135,373
Interests in joint ventures					1,328,730
Share of results of associates					10,814
Share of results of joint ventures					<u>59,044</u>

For the six months ended 30 September 2019

	Provision of piped gas <i>RMB'000</i>	Sales and distribution of cylinder gas <i>RMB'000</i>	Trading of gas <i>RMB'000</i>	FMCG and food ingredients supply <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue from external customers	<u>291,279</u>	<u>422,806</u>	<u>249,343</u>	<u>81,463</u>	<u>1,044,891</u>
Segment profit (loss)	<u>39,479</u>	<u>23,055</u>	<u>1,257</u>	<u>(6,791)</u>	57,000
Unallocated income					3,100
Central administration costs					(5,792)
Share of results of associates					18,667
Share of results of joint ventures					59,786
Finance costs					<u>(5,730)</u>
Profit before tax					<u>127,031</u>
Other segment information					
Amounts included in the measure of segment results:					
Depreciation and amortisation	16,861	8,095	222	4,302	29,480
Unallocated depreciation and amortisation					<u>718</u>
Total					<u>30,198</u>
(Gain) loss on disposal of property, plant and equipment	(25)	10	–	(30)	<u>(45)</u>
Amounts regularly provided to the CODM but not included in the measure of segment results:					
Interests in associates					136,317
Interests in joint ventures					1,221,105
Share of results of associates					18,667
Share of results of joint ventures					<u>59,786</u>

The Group's revenue from contracts with customers has been disaggregated as (i) sales and distribution of piped gas and cylinder gas, trading of gas and retail and wholesale of merchandise of RMB945,912,000 (2019: RMB993,066,000) and (ii) gas connection of RMB55,544,000 (2019: RMB51,825,000) for the six months ended 30 September 2020.

Note: Certain comparative figures have been re-presented to conform with the change of resources allocation in current period.

Geographical information

The Group's business is principally carried out in the PRC. All the revenue of the Group for both periods are derived from the PRC based on the locations of goods delivered and services provided and the Group's non-current assets are physically located in the PRC. Accordingly, no geographical information is presented.

4. OTHER GAINS AND LOSSES

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Gain on disposal of property, plant and equipment	(115)	(45)
Gain on disposal of subsidiaries	–	(148)
Net foreign exchange loss (gain)	562	(441)
Loss on remeasurement of pre-existing interest in an associate to acquisition date fair value	168	–
Impairment loss recognized in respect of		
– trade receivables from contracts with customers	449	1,332
– other receivable	–	1,526
– property, plant and equipment	–	3,545
	1,064	5,769

5. OTHER INCOME

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	3,686	2,752
Dividend income from equity instruments at FVTOCI	–	16
Government grant	265	2,124
Gain on bargain purchase of subsidiaries	1,952	–
Interest income from loan at a joint venture	–	333
Rental income, net	1,153	918
Repair and maintenance services income	1,608	1,871
Sales of gas appliance and materials, net	8,775	2,908
Others	3,390	1,311
	20,829	12,233

6. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings	4,924	4,975
Interest on lease liabilities	703	755
	5,627	5,730

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging the following:

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs including Directors' emoluments:		
Directors' emoluments	2,878	3,331
Salaries, allowance and benefits in kind	58,908	60,420
Retirement benefits scheme contribution	5,413	7,859
	67,199	71,610
Cost of inventories recognised as expenses	805,178	850,016
Depreciation of property, plant and equipment	26,445	24,970
Depreciation of right-to-use assets	4,051	4,613
Amortisation of intangible assets (included in administrative expense)	615	615
Contract cost recognised as expense in respect of gas connection construction contracts	12,020	14,299

8. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax (“EIT”)		
– current tax	18,923	17,739
– under provision in previous periods	–	251
Deferred taxation	(113)	(2,651)
	<u>18,810</u>	<u>15,339</u>

The taxation charge mainly represents EIT of the PRC for both periods.

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

The EIT rates applicable for the Group’s PRC subsidiaries ranged from 15% to 25% (2019: 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 were granted a concessionary tax rate of 15% by the local tax bureau.

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2020 (2019: nil), nor has any dividend has been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

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

	(Unaudited)	
	<u>Six months ended 30 September</u>	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit for the period attributable to the owners of the Company and for the purpose of basic earnings per share	<u>93,155</u>	<u>85,145</u>
	2020	2019
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 for both periods were presented as there were no potential ordinary shares in issue for both period.

11. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	At	At
	30 September	31 March
	2020	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (net of allowance for credit loss)	56,850	78,373
Bill receivables	9,055	8,789
Other receivables and deposits	<u>150,566</u>	<u>88,393</u>
	<u>216,471</u>	<u>175,555</u>

Included in the balance of trade, bills and other receivables and prepayments are trade receivables with gross carrying amount of RMB62,335,000 (31 March 2020: RMB83,409,000) and allowance for credit losses of RMB5,485,000 (31 March 2020: RMB5,036,000). The Group has a policy of allowing a credit period ranging from 0-180 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 presented on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	At 30 September 2020 RMB'000	At 31 March 2020 RMB'000
Trade receivables (net of allowance for credit loss)		
0 to 90 days	41,197	72,419
91 to 180 days	10,487	1,802
Over 180 days	5,166	4,152
	<u>56,850</u>	<u>78,373</u>
Bill receivables		
0 to 90 days	4,009	3,139
91 to 180 days	5,046	5,650
	<u>9,055</u>	<u>8,789</u>
Deposits paid for purchase of natural gas; cylinder gas; merchandise and construction materials	72,904	37,147
Rental and utilities deposits and prepayments	27,271	12,557
Other tax recoverable	4,728	14,251
Other receivables and deposits	82,990	61,765
	<u>187,893</u>	<u>125,720</u>
	253,798	212,882
Less: Allowance for credit losses	<u>(37,327)</u>	<u>(37,327)</u>
Total trade, bills and other receivables and prepayments	<u><u>216,471</u></u>	<u><u>175,555</u></u>

12. 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:

	At 30 September 2020 <i>RMB'000</i>	At 31 March 2020 <i>RMB'000</i>
0 to 90 days	64,575	62,132
91 to 180 days	15,539	5,868
Over 180 days	11,823	14,731
Trade payables	91,937	82,731
Piped gas customer deposits	53,259	46,822
Amounts due to non-controlling interests of subsidiaries	–	1,735
Accrued charges and other payables	57,937	70,138
Total trade and other payables	<u>203,133</u>	<u>201,426</u>

13. BANK BORROWINGS

	At 30 September 2020 <i>RMB'000</i>	At 31 March 2020 <i>RMB'000</i>
Secured bank borrowings	98,000	113,700
Unsecured bank borrowings	20,000	18,000
	<u>118,000</u>	<u>131,700</u>
Carrying amount repayable:		
Within one year or on demand	66,000	66,700
In the second and fifth year, inclusive	45,000	45,000
Over five years	7,000	20,000
	<u>118,000</u>	<u>131,700</u>

The proceeds were used to finance the capital expenditure and general working capital of the Group. All secured and unsecured bank borrowings are floating rate borrowings of which interest rates are in the range of People’s Bank of China plus 0.15% to 0.87% (31 March 2020: 0.15% to 0.87%) per annum.

At 30 September 2020, certain assets of the Group with aggregate carrying value of approximately RMB149,880,000 (31 March 2020: RMB233,175,000) were pledged as security for secured bank borrowings.

14. CAPITAL COMMITMENTS

	At 30 September 2020 RMB’000	At 31 March 2020 RMB’000
Capital expenditure in respect of acquisition of property, plant and equipment and right-of-use assets contracted for but not provided	17,075	34,740

15. CONTINGENT LIABILITIES

On 29 September 2019, Beijing Civigas Co., Ltd (“**Beijing Civigas**”) together with the joint venture partner entered into a guarantee agreement with a bank, whereby Beijing Civigas and the joint venture partner have agreed to provide a joint and several corporate guarantee, on proportion of their shareholdings, in favor of the bank for the facility line of RMB150,000,000 granted to Fujian Province An Ran Gas Investment Co., Ltd (“**Fujian An Ran**”) (as borrower), a joint venture of the Group. Details of this transaction are set out in the Company’s announcement dated 30 September 2019.

Up to 30 September 2020, Fujian An Ran has drawn RMB120,000,000 of the facility line. In the opinion of the directors of the Company, the fair value of the financial guarantee contracts of the Group are insignificant at initial recognition after taking into consideration the possibility of the default of Fujian An Ran. Accordingly, no value has been recognised in the consolidated financial statements.

16. EVENT AFTER THE END OF THE REPORTING PERIOD

There was no significant event took place subsequent to the end of the reporting date.

FINANCIAL HIGHLIGHTS

Items	For the six months ended		Variance amount RMB'000	Increase (decrease) %
	30 September			
	2020 RMB'000	2019 RMB'000		
Revenue from operations:				
Piped gas business	299,567	291,279	8,288	2.85
Cylinder gas business	345,746	422,806	(77,060)	(18.23)
Gas trading business	306,971	249,343	57,628	23.11
Fast-moving consumer goods (“FMCG”) and food ingredients supply business	49,172	81,463	(32,291)	(39.64)
Total	<u>1,001,456</u>	<u>1,044,891</u>	<u>(43,435)</u>	(4.16)
Segment results from operations:				
Piped gas business	45,744	39,479	6,265	15.87
Cylinder gas business	23,510	23,055	455	1.97
Gas trading business	415	1,257	(842)	(66.98)
FMCG and food ingredients supply business	(3,907)	(6,791)	2,884	(42.47)
Total	<u>65,762</u>	<u>57,000</u>	<u>8,762</u>	15.37
Share of results of associates	10,814	18,667	(7,853)	(42.07)
Share of results of joint ventures	59,044	59,786	(742)	(1.24)
Finance costs	(5,627)	(5,730)	103	(1.80)
Others	5,369	(2,692)	8,061	299.44
Income tax expense	(18,810)	(15,339)	(3,471)	22.63
Profit for the period	<u>116,552</u>	<u>111,692</u>	<u>4,860</u>	4.35
Profit attributable to owners of the Company	<u>93,155</u>	<u>85,145</u>	<u>8,010</u>	9.41
Earnings per share				
Basic and diluted (RMB cents)	<u>1.04 cents</u>	<u>0.95 cents</u>	<u>0.09 cents</u>	9.47

BUSINESS REVIEW

For the six months ended 30 September 2020, the revenue of the Group amounted to approximately RMB1,001 million (2019: RMB1,045 million), representing a decrease of 4.16% as compared with the corresponding period last year, while profit for the Period was approximately RMB116.55 million (2019: RMB111.70 million), representing an increase of 4.35%. Basic earnings per share was RMB1.04 cents (2019: RMB0.95 cents). The overall gross profit margin of the Group was 18.40% (2019: 17.28%), representing an increase of 1.12 percentage point (“ppt”) as compared with the corresponding period last year. The increase in gross profit margin was mainly attributable to the decrease in the cost of sales and services, which resulted in a slight increase in the gross profit margin as compared with the corresponding period last year.

Piped Gas Business

In the first half of 2020, affected by the global spread of the COVID-19 epidemic, the overall performance of the global economy was sluggish, while China economy showed a recovery growth trend in the second quarter, stabilising the economic fundamentals. In the first half of 2020, natural gas consumption maintained a positive growth with a consumption of 148.7 billion cubic meters, representing a year-on-year increase of approximately 1.2%. In the first half of 2020, China’s efforts in natural gas exploration remained basically unchanged, while the production volume continued to grow strongly. Natural gas production was 94 billion cubic meters, representing a year-on-year increase of 10.3%.

Piped gas business is our main business and our main source of income. For the six months ended 30 September 2020, revenue of approximately RMB299,567,000 was recorded from our provision of piped gas business, representing an increase of RMB8,288,000 or 2.85% as compared with the corresponding period last year, which accounted for approximately 29.91% (2019: 27.88%) of our total revenue. During the Period, a steady increase in gas sales to residential household customers, with the resumption of work and production and new C/I customers, the gas sales recorded a year-on-year increase. The gross profit margin of provision of piped gas business for the Period was 28.12% (2019: 27.22%).

Piped Gas Connection

During the Period, revenue from piped gas connection was approximately RMB55,544,000, representing an increase of RMB3,719,000 or 7.18% as compared with the corresponding period last year, which represented approximately 18.54% (2019: 17.79%) of the total revenue of the piped gas business. During the reporting Period, there was an addition of 16,717 units of residential household customers and 554 units of C/I customers, respectively. As of 30 September 2020, the accumulated number of connected residential household customers was 452,277 units; and the accumulated number of connected C/I customers was 9,786 units, representing a growth of 3.95% and 6.23%, respectively over last year.

Piped Gas Sales

During the Period, revenue from piped gas sales was approximately RMB244,023,000, representing an increase of RMB4,569,000 or 1.91% as compared with the corresponding period last year. The increase in revenue was mainly due to the increase in the volume of piped gas sales. Revenue from piped gas sales accounted for 81.46% (2019: 82.21%) of the total revenue from the piped gas business. Our piped gas sales achieved approximately 130.67 million m³ (2019: 119.41 million m³), representing an increase of 9.43%. Among the total sales, 38.26 million m³ (2019: 34.85 million m³) were sold to residential household customers, which represented an increase of 9.78%; 92.41 million m³ (2019: 84.56 million m³) were sold to C/I customers, which represented an increase of 9.28%.

Cylinder gas business

Cylinder gas business is another major business of the Group. Currently, the Group's cylinder gas business is mainly the sales of liquefied natural gas (LNG), liquefied petroleum gas (LPG), and liquefied dimethyl ether (DME). During the Period, while maintaining existing customers, we actively develop new customers for expanding the sales market.

During the Period, sales and distribution of cylinder gas was 84,050 tons (2019: 89,923 tons) tons in total, representing a decrease of 6.53% over the corresponding period of last year. A total sales revenue reached approximately RMB345,746,000 (2019: approximately RMB422,806,000), representing a decrease of RMB77,060,000 or 18.23% over the same period last year. The gross profit margin of cylinder gas business during the Period was 26.12% (2019: 21.56%). The decrease in sales volume of cylinder gas was mainly due to the lower demand from downstream C/I customers as a result of the COVID-19 epidemic. The decline in sales volume and lower sales prices led to a decrease in revenue from cylinder gas business as compared with the same period last year, but a good level of gross profit margin was maintained due to improvement on the relevant cost control. During the Period, revenue from cylinder gas business accounted for approximately 34.52% (2019: 40.46%) of our total revenue.

Gas trading

Gas trading represents a business carried out by the Group in recent years, which has formed a certain business scale. The gas trading business mainly purchases a large amount of gas resources from upstream suppliers and distributes them to other gas operating companies. Although investment in this business is not large, it can form a dominant position in the market at a lower cost, which is helpful for the development of downstream terminal business of the Group.

During the Period, revenue from gas trading was approximately RMB306,971,000 representing an increase of RMB57,628,000 or 23.11% as compared with the corresponding period last year. Trading of gas was 124,158 tons (2019: 82,390 tons), representing an increase of 50.10% over the corresponding period of last year. The increase in revenue was mainly due to volume of gas trading sales. During the Period, revenue from gas trading accounted for approximately 30.65% (2019: 23.86%) of our total revenue. The gross profit margin of gas trading during the Period was 1.05% (2019: 1.11%).

FMCG and food ingredients supply business

The FMCG and food ingredients supply business is a new business vigorously developed by the Group in recent years. The food ingredients supply 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 supply of FMCG is mainly comprised of supermarket and the chain of community convenience stores. The consumer group targeted by the community supermarket is mainly the residents community population. It 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 Period, the FMCG and food ingredients supply business realised revenue of approximately RMB49,172,000 (2019: RMB81,463,000), accounting for approximately 4.92% (2019: 7.80%) of the Group's total revenue. During the Period, improving the profit model, closing the loss-making stores and enriching the operation efficiency, however, certain suppliers returned to the workplace late resulting in insufficient inventory and reduced foot traffic caused by the epidemic which led to a decrease in the supply of food ingredients and sales revenue from food ingredients supply business.

Increase/decrease of projects during the Period

There was no significant increased/decreased of projects during the period.

Cooperate to Fight the Epidemic

In order to do a good job in the prevention and control of the epidemic, the Group continue to strengthen the implementation of the documents such as the "Notice on Doing a Good Job in the Prevention and Control for the COVID-19 Pneumonia Epidemic", and require the members of the Group to do a good job in epidemic prevention in a timely manner. Each of members shall purchase masks, disinfectant, gloves and other protective materials, and distribute them according to the demands of different on-the-job personnel and posts, and require employees to wear masks and take temperature every day. Staffs are arranged to be on duty to sterilise the business halls, stores, offices, canteens, gas distribution stations and other places every day. In order to reduce person-to-person contact, the Group strongly encourages customers to pay fees and increase account balance through our WeChat official account and other platforms to avoid the spread of the virus due to person-to-person contact. It minimizes the probability of employees being infected with COVID-19, thereby protecting their health.

Liquidity and capital resources

The consolidated financial position of the Group is as follows:

	At 30 September 2020 <i>RMB'000</i>	At 31 March 2020 <i>RMB'000</i>	Change <i>RMB'000</i>
Non-current assets	2,513,460	2,421,114	92,346
Current assets	850,203	735,000	115,203
Current liabilities	(595,472)	(482,621)	(112,851)
Non-current liabilities	(84,723)	(97,422)	12,699
Net assets	<u>2,683,468</u>	<u>2,576,071</u>	<u>107,397</u>
Equity attributable to owners of the Company	2,469,252	2,368,290	100,962
Non-controlling interests	<u>214,216</u>	<u>207,781</u>	<u>6,435</u>
Total equity	<u>2,683,468</u>	<u>2,576,071</u>	<u>107,397</u>
Among those:			
Bank balance and cash	546,771	276,796	269,975
Total borrowings	<u>(118,000)</u>	<u>(131,700)</u>	<u>13,700</u>
Net cash	<u>428,771</u>	<u>145,096</u>	<u>283,675</u>
Consolidated debt-to-capitalisation ratio*	<u>4.56%</u>	<u>5.27%</u>	<u>(0.71 ppt)</u>

* Consolidated debt-to-capitalisation ratio is the ratio of total borrowings to total borrowings and equity attributable to owners of the Company.

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 30 September 2020, the total borrowings of the Group were approximately RMB118,000,000 (31 March 2020: approximately RMB131,700,000), which comprised domestic bank borrowings denominated in RMB of the project companies in China. Borrowings, calculated at fixed interest rate or the interest rate announced by the People's Bank of China, are mainly applied to gas pipelines construction, as general working capital and for operating expenses. Apart from the borrowings of approximately RMB98,000,000 (31 March 2020: approximately RMB113,700,000) which were secured by assets with carrying amount of approximately RMB149,880,000 (31 March 2020: approximately RMB233,175,000), others were unsecured. Short-term borrowings amounted to approximately RMB66,000,000 (31 March 2020: approximately RMB66,700,000), while others were long-term borrowings due after one year. Details of the capital commitments and pledge of assets are set out in notes 14 and 13 to the Interim Financial Information respectively.

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 stated in the section headed "Liquidity and Capital Resources" above.

Foreign Exchange Risk

As all of our 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.

Capital and Other Commitments

As at 30 September 2020, the capital commitments of the Group amounted to approximately RMB17,075,000 (31 March 2020: RMB34,740,000), mainly attributable to running district gas pipelines construction. Please refer to note 14 to the Interim Financial Information for details.

Contingent Liabilities

On 29 September 2019, Beijing Civigas together with the joint venture partner entered into a guarantee agreement with a bank, whereby Beijing Civigas and the joint venture partner have agreed to provide a joint and several corporate guarantee, on proportion of their shareholdings, in favor of the bank for the facility line of RMB150,000,000 granted to Fujian An Ran (as borrower), a joint venture of the Group. Details of this transaction are set out in the Company's announcement dated 30 September 2019.

Up to 30 September 2020, Fujian An Ran has drawn RMB120,000,000 of the facility line. In the opinion of the directors of the Company, the fair value of the financial guarantee contracts of the Group are insignificant at initial recognition after taking into consideration the possibility of the default of Fujian An Ran. Accordingly, no value has been recognised in the Interim Financial Information.

Employees

As at 30 September 2020, we had approximately 5,100 employees, most of them were stationed in 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.

PROSPECTS AND OUTLOOK

2020 is the final year of the 13th Five-Year Plan and also the planning year for the 14th Five-Year Plan. The natural gas industry continues to promote the high-quality development pursuant to the new energy security strategy of “Four Revolutions, One Cooperation”. Under the impact of the COVID-19 epidemic, the development of the natural gas industry in China is facing challenges, but there are no changes in the basic conditions and supporting factors that promote the coordinated and stable development of the natural gas industry, and the general principle of sustained and steady development of the natural gas industry remains unchanged. As the domestic epidemic has been well controlled under the government's vigorous prevention and control measures, the domestic consumer market has gradually recovered.

Piped Gas Business

With the changes in the energy consumption structure of residents in the process of urbanization in China and the increasing demand for gas to replace coal for power and heating supply under the background of increasingly stringent environmental protection regulations, there is room for further growth in the downstream consumption of natural gas. In recent years, the state has successively issued policies related to the healthy development of the natural gas industry, such as the “Notice on the Occasional Reduction of Non-Residential Gas Cost in Supporting the Resumption of Work and Production” (《關於階段性降低非居民用氣成本支持企業復工復產的通知》) issued by the NDRC, which requires urban gas companies to reduce the terminal selling price of gas for non-residential use in a timely manner, and the “Central Pricing Catalogue”, which removes the city gate prices from the scope of national pricing, and lists the gas source prices separately, subject to adjustments according to market conditions, which is conducive to reducing the terminal natural gas price. The “Guiding Opinion on the Regulation of Installation Fees for Gas Facilities in Cities and Towns” (《關於規範城鎮燃氣工程安裝收費的指導意見》) issued by the NDRC (Fa Gai Jai Ge 2019 No. 1131) requires strengthening the management of engineering installation fees and reducing some urban gas engineering fees, which will have a certain impact on some of the Group's businesses.

The Group will make full use of the policy advantages and the healthy development environment of the natural gas industry, maintain existing users, deeply explores new users, and actively expand value-added businesses, to promote the sustainable development of the piped gas business of the Group.

Cylinder Gas Business

With the changes in energy consumption structure in China, energy consumption is transforming towards clean and low-carbon energy. The various “coal-to-gas” policies issued in recent years have provided a better market development environment for the cylinder gas of the Group. The cylinder gas is the other major gas supply method besides pipeline transportation, and has become a powerful supplement to piped gas, and developed steadily in the field of gas supply with its own convenient and flexible supply method. In recent years, the Group has also provided strong support to the development of the cylinder gas business based on the market demand and the characteristics of cylinder gas in accordance with the principle of “appropriate use of pipelines and tankers”. The cylinder gas has become an important business of the Group.

Looking forward, we will extend to the market areas not covered by piped gas, and expand the market scale of the Group’s cylinder gas, thus increasing the income of cylinder gas. By using Internet technology to optimize the management model and distribution process of the cylinder gas business, we will create greater benefits for the Group, while providing customers with convenient services.

Gas Trading Business

Recent years witness consistent national promotion of environmental protection policies such as “Coal to Gas” for environmental governance and increasingly wider and deeper understanding of gas in the market, coupled with the replacement of traditional coal with gas as fuel having been increasingly recognised and accepted in terms of economy and cleanliness, which has led to a continuous increase both in the supply and demand of gas market in China. As both supply and demand are booming, the gas industry has formed a complete industrial chain. Under such environment, the Group has also participated in the trading supply link in the gas circulation field, and conducted gas trading business, forming a certain scale of business. In the future, the Group will seize the development opportunities of the gas industry and strive to continuously improve the sales volume and revenue of the gas trading business.

FMCG and Food Ingredients Supply Business

Affected by the epidemic, the total retail sales of consumer goods in the first half of the year dropped year-on-year. In the next stage, as the “Six Stabilities” and “Six Guarantees” related policies came into effect, superimposed with the effects of various previous consumer promotion policies, the consumer market is expected to maintain its upward trend.

The food ingredients supply business operated by the Group mainly supplies fruit and vegetables, fresh produce, seasoning, dry foods and oil and other ingredients to commercial users. The Group will continue to optimize the existing management information system for FMCG supply business, apply the latest achievements of mobile Internet of Things technology (5G technology and Beidou positioning service), and develop the mobile distribution equipment related to the fresh produce supply chain business and its corresponding management information system. Besides, the Group will also gradually transform and upgrade its fresh produce distribution system and improve operation efficiency, thus providing users with safe, fresh and healthy FMCG.

The Group's FMCG supply business is operated through the chain of community supermarket and convenience stores. The consumer group targeted by the community supermarkets and convenience stores is community residents and a mobile population respectively. According to the characteristics of consumer groups, we will optimize the existing online and offline services, and enrich the modules of online shopping platform, to provide consumers with more convenient and preferential services.

With new urbanization construction and integrated development of urban and rural areas in China, an increasing number of rural population will migrate to urban areas, which will provide a larger market for the Group's FMCG and food ingredients supply business. A combination of online and offline operations is applied as the sales method of the Group's FMCG and food ingredients supply business. In the future, we will upgrade and optimize the existing online sales system, increase sales modules, enrich consumer experience, and expand the market for FMCG and food ingredients supply business, thus building the Group's brand image for FMCG supply chain and food ingredients supply business.

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

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

CORPORATE GOVERNANCE

The Company has committed to perform a high standard of corporate governance practices in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Company's corporate governance practices are based on the principles and the code provisions ("**Code Provisions**") as set out in the "Corporate Governance Code" and "Corporate Governance Report" contained in Appendix 14 to the Listing Rules, as amended from time to time. As far as the Code Provisions is concerned, during the Period and up to the date of this announcement, the Company complies with all aspect of the Code Provisions.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)

The Company has adopted the Model Code set out in the Appendix 10 to the Listing Rules, as amended from time to time. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code during the Period.

REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the appropriateness and consistent application of significant accounting principles adopted by the Company, financial reporting system, risk management and internal control systems and discussed judgmental issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial statements for the Period.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is required to be published on the websites of the Stock Exchange at www.hkex.com.hk under “Latest Listed Company Information” and the Company at www.681hk.com respectively. The interim report of the Company for the six months ended 30 September 2020 will be dispatched to the shareholders of the Company as soon as possible and will be published on the websites of the Stock Exchange and the Company accordingly.

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

Beijing, 27 November 2020

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