

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **CHINESE PEOPLE HOLDINGS COMPANY LIMITED**

**中民控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(stock code: 681)**

### **ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011**

#### **FINANCIAL AND BUSINESS HIGHLIGHTS**

- Turnover for the year 2011 was approximately HK\$853.87 million, representing an increase of approximately HK\$147.62 million (20.9%) as compared HK\$706.25 million for year 2010.
- Overall gross profit margin decreased by 2.9% to 26.9%. It was mainly due to more sales of gas fuel that generating stable and longer term income stream compared with one-off connection fee that generating higher gross profit margin in year 2011.
- Profit attributable to owners of the Company for year 2011 amounted to approximately HK\$45.64 million, representing a decrease of HK\$254.98 million (84.8%) over year 2010. The significant decrease were due to the loss on disposal of available-for-sale financial assets of HK\$64.43 million recorded during the year and gain on disposal of subsidiaries of approximately HK\$257.19 million recorded in year 2010.
- Basic and diluted earnings per share for year 2011 were HK\$1.12 cents (2010 : 7.36 cents).

\* *For identification purposes only*

## FINANCIAL HIGHLIGHTS

Items	For the year ended 31 March		Change HK\$'000
	2011 HK\$'000	2010 HK\$'000	
<b>Turnover:</b>			
Provision of piped gas fuel	598,084	450,950	147,134
Transportation, distribution and retail of bottled LPG	255,784	255,300	484
Total	<u>853,868</u>	<u>706,250</u>	<u>147,618</u>
<b>Gross profit:</b>			
Provision of piped gas fuel	190,726	172,234	18,492
Transportation, distribution and retail of bottled LPG	39,023	38,096	927
Total	<u>229,749</u>	<u>210,330</u>	<u>19,419</u>
<b>Segment results:</b>			
Provision of piped gas fuel	111,955	109,690	2,265
Transportation, distribution and retail of bottled LPG	57,554	8,710	48,844
Total	<u>169,509</u>	<u>118,400</u>	<u>51,109</u>
Fair value changes of convertible notes	–	(2,118)	2,118
Gain on disposal of subsidiaries	1,361	257,189	(255,828)
Loss on disposal of available-for-sale financial assets	(64,426)	–	(64,426)
Share-based payment expenses under the Share Option Scheme	(16,618)	–	(16,618)
Other revenues and expenses (net)	(18,351)	(43,465)	25,114
Profit before taxation	<u>71,475</u>	<u>330,006</u>	<u>(258,531)</u>
Profit attributable to owners of the Company	<u>45,639</u>	<u>300,614</u>	<u>(254,975)</u>
Earnings per share			
Basic and diluted ( <i>HK cents per share</i> )	<u>1.12</u>	<u>7.36</u>	<u>(6.24)</u>
Profit before taxation	71,475	330,006	(258,531)
Items below adjusted:			
Fair value changes of convertible notes	–	2,118	(2,118)
Gain on disposal of subsidiaries	(1,361)	(257,189)	255,828
Loss on disposal of available-for-sale financial assets	64,426	–	64,426
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(52,720)	1,907	(54,627)
Share-based payment expenses under the Share Option Scheme	16,618	–	16,618
Profit before taxation and non-operational items	<u>98,438</u>	<u>76,842</u>	<u>21,596</u>

The board (the “Board”) of directors (the “Directors”) 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 March 2011 together with the comparative figures for the corresponding year of 2010 are as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31 MARCH 2011*

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Turnover	3	<b>853,868</b>	706,250
Cost of sales		<b>(624,119)</b>	(495,920)
Gross profit		<b>229,749</b>	210,330
Other operating income	5	<b>15,601</b>	11,376
Administrative expenses		<b>(136,626)</b>	(122,039)
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments		<b>52,720</b>	(1,907)
Loss on disposal of available-for-sale financial assets		<b>(64,426)</b>	–
Equity-settled share-based payments		<b>(16,618)</b>	–
Share of results of associates		<b>137</b>	4,564
Finance costs	6	<b>(4,017)</b>	(6,855)
Gain on disposal of subsidiaries		<b>1,361</b>	257,189
Impairment loss recognised in respect of trade and other receivables		<b>(6,406)</b>	(20,534)
Loss on fair value changes of convertible notes		<b>–</b>	(2,118)
Profit before tax		<b>71,475</b>	330,006
Income tax expense	7	<b>(23,832)</b>	(20,248)
Profit for the year	8	<b>47,643</b>	309,758
Other comprehensive income (expense) for the year			
Exchange differences arising on translation of foreign operations		<b>33,453</b>	2,436
Exchange reserve realised on disposal of subsidiaries		<b>(584)</b>	(14,388)
(Loss) gain on fair value changes of available-for-sale financial assets		<b>(1,929)</b>	6,616
Release of investment valuation reserve upon disposal of available-for-sale financial assets		<b>64,348</b>	–
Other comprehensive income (expense) for the year		<b>95,288</b>	(5,336)
Total comprehensive income for the year		<b>142,931</b>	304,422

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2011

	<i>Note</i>	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
Profit for the year attributable to:			
Owners of the Company		<b>45,639</b>	300,614
Non-controlling interests		<b>2,004</b>	9,144
		<b><u>47,643</u></b>	<b><u>309,758</u></b>
Total comprehensive income attributable to:			
Owners of the Company		<b>138,282</b>	295,278
Non-controlling interests		<b>4,649</b>	9,144
		<b><u>142,931</u></b>	<b><u>304,422</u></b>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
Earnings per share – basic and diluted	<i>10</i>	<b><u>1.12</u></b>	<b><u>7.36</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2011

	<i>Notes</i>	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
Non-current assets			
Property, plant and equipment		<b>738,370</b>	635,370
Investment properties		<b>8,621</b>	7,024
Prepaid lease payments		<b>27,916</b>	29,493
Goodwill		<b>95,114</b>	93,113
Intangible assets		<b>101,714</b>	101,983
Interests in associates		<b>89,733</b>	63,647
Available-for-sale financial assets		<b>6,746</b>	38,567
Deposit paid for acquisition of a jointly controlled entity		<b>41,489</b>	–
Deposit paid for acquisition of property, plant and equipment and prepaid lease payments		<b>20,104</b>	4,891
		<b><u>1,129,807</u></b>	<u>974,088</u>
Current assets			
Inventories		<b>34,777</b>	26,843
Trade and other receivables	<i>11</i>	<b>230,085</b>	91,569
Other loan to a shareholder of an associate		<b>43,050</b>	41,000
Amount due from a joint venturer		<b>24,230</b>	23,298
Amount due from an associate		<b>474</b>	–
Prepaid lease payments		<b>767</b>	699
Held-to-maturity investments		<b>35,562</b>	–
Pledged bank deposits		<b>8,228</b>	8,076
Bank balances and cash		<b>262,763</b>	316,191
		<b><u>639,936</u></b>	<u>507,676</u>
Current liabilities			
Trade and other payables	<i>12</i>	<b>277,575</b>	203,283
Tax liabilities		<b>55,313</b>	57,022
Amount due to a joint venturer		<b>12,885</b>	–
Amounts due to associates		<b>11,851</b>	11,389
Amount due to a shareholder of an associate		<b>23,708</b>	–
Bank borrowings – due within one year		<b>21,693</b>	92,663
		<b><u>403,025</u></b>	<u>364,357</u>
Net current assets		<b><u>236,911</u></b>	<u>143,319</u>
Total assets less current liabilities		<b><u><u>1,366,718</u></u></b>	<u><u>1,117,407</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 MARCH 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Capital and reserves		
Share capital	285,756	285,756
Reserves	<u>797,750</u>	<u>642,850</u>
Equity attributable to owners of the Company	<b>1,083,506</b>	928,606
Non-controlling interests	<u>71,049</u>	<u>64,041</u>
Total equity	<u><b>1,154,555</b></u>	<u>992,647</u>
Non-current liabilities		
Bank borrowings – due after one year	192,604	110,407
Deferred tax liabilities	<u>19,559</u>	<u>14,353</u>
	<u>212,163</u>	<u>124,760</u>
	<u><b>1,366,718</b></u>	<u><b>1,117,407</b></u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Surplus reserve fund HK\$'000	Capital contribution HK\$'000	Share-based compensation reserve HK\$'000	Property revaluation reserve HK\$'000	Investment valuation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2009	285,756	615,523	2,182	89,800	14,188	7,482	35,715	454	(69,014)	118,956	(467,714)	633,328	68,810	702,138
Profit for the year	-	-	-	-	-	-	-	-	-	-	300,614	300,614	9,144	309,758
Other comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	6,616	(11,952)	-	(5,336)	-	(5,336)
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	6,616	(11,952)	300,614	295,278	9,144	304,422
Acquisition of a jointly controlled entity	-	-	-	-	-	-	-	-	-	-	-	-	4,587	4,587
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(17,388)	(17,388)
Appropriations	-	-	-	-	5,829	-	-	-	-	-	(5,829)	-	-	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,112)	(1,112)
Effect on share options forfeited	-	-	-	-	-	-	(436)	-	-	-	436	-	-	-
At 31 March 2010 and 1 April 2010	285,756	615,523	2,182	89,800	20,017	7,482	35,279	454	(62,398)	107,004	(172,493)	928,606	64,041	992,647
Profit for the year	-	-	-	-	-	-	-	-	-	-	45,639	45,639	2,004	47,643
Other comprehensive income for the year	-	-	-	-	-	-	-	-	62,419	30,224	-	92,643	2,645	95,288
Total comprehensive income for the year	-	-	-	-	-	-	-	-	62,419	30,224	45,639	138,282	4,649	142,931
Appropriations	-	-	-	-	8,867	-	-	-	-	-	(8,867)	-	-	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,245)	(1,245)
Contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,604	3,604
Recognition of equity-settled share-based payments	-	-	-	-	-	-	16,618	-	-	-	-	16,618	-	16,618
Effect on share options forfeited	-	-	-	-	-	-	(29,019)	-	-	-	29,019	-	-	-
At 31 March 2011	285,756	615,523	2,182	89,800	28,884	7,482	22,878	454	21	137,228	(106,702)	1,083,506	71,049	1,154,555

## **1. GENERAL INFORMATION**

Chinese People Holdings Company Limited (the “Company”) is an investment holding company. Its subsidiaries principally engage in the sale and distribution of natural gas and liquefied petroleum gas (“LPG”) (collectively referred to as “Gas Fuel”) in the People’s Republic of China (the “PRC”) including the sale of LPG in bulk and in cylinders, the provision of piped LPG and natural gas, construction of gas pipelines, the operation of city gas pipeline network and the sale of LPG.

The consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial information has been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

## **2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2010. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced considering the potential impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.



### 3. TURNOVER

Turnover represents the fair value of the consideration received or receivable and represents amounts receivable for goods and services in the normal course of business, net of discounts and sales related taxes. An analysis of the Group's turnover is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Provision of piped Gas Fuel	421,655	296,463
Pipelines construction	176,429	154,487
Transportation, distribution and retail of bottled LPG	<u>255,784</u>	<u>255,300</u>
	<u><b>853,868</b></u>	<u><b>706,250</b></u>

### 4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker ("CODM") for the purpose of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

Specially, the Group's reportable segments under HKFRS 8 are as follows:

1. Provision of piped Gas Fuel – construction of gas pipeline networks, provision of piped natural gas and LPG.
2. Transportation, distribution and retail of bottled LPG – the sale of LPG in bulk to wholesale customers and the retail of bottled LPG to end user households, industrial and commercial customers.

#### 4. SEGMENT INFORMATION (Continued)

##### *Segment revenues and results*

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

##### **For the year ended 31 March**

	Provision of piped Gas Fuel		Transportation, distribution and retail of bottled LPG		Consolidation	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover	<u>598,084</u>	<u>450,950</u>	<u>255,784</u>	<u>255,300</u>	<u>853,868</u>	<u>706,250</u>
Segment profits	<u>111,955</u>	<u>366,879</u>	<u>57,554</u>	<u>8,710</u>	<u>169,509</u>	<u>375,589</u>
Unallocated income					5,231	3,726
Unallocated corporate expenses					(19,702)	(24,906)
Loss on disposal of available-for-sale financial assets					(64,426)	–
Equity-settled share-based payments					(16,618)	–
Share of results of associates					137	4,564
Finance costs					(4,017)	(6,855)
Gain on disposal of subsidiaries					1,361	–
Impairment loss recognised in respect of trade and other receivables					–	(19,994)
Loss on fair value changes of convertible notes					–	(2,118)
Profit before tax					<u>71,475</u>	<u>330,006</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of bank interest income, other operating income, central administrative expenses, directors' emoluments, loss on disposal of available-for-sale financial assets, loss on fair value changes of convertible notes, equity-settled share-based payments, impairment loss recognised (reversed) in respect of other receivables, finance costs and share of results of associates. This is the measure reported to CODM, for the purpose of resource allocation and performance assessment.

#### 4. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets and liabilities by reportable segments:

##### *Segment assets*

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Provision of piped Gas Fuel	847,360	762,548
Transportation, distribution and retail of bottled LPG	<u>203,154</u>	<u>133,489</u>
Total segment assets	1,050,514	896,037
Unallocated	<u>719,229</u>	<u>585,727</u>
Consolidated assets	<u><u>1,769,743</u></u>	<u><u>1,481,764</u></u>

##### *Segment liabilities*

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Provision of piped Gas Fuel	245,757	177,818
Transportation, distribution and retail of bottled LPG	<u>29,102</u>	<u>24,781</u>
Total segment liabilities	274,859	202,599
Unallocated	<u>340,329</u>	<u>286,518</u>
Consolidated liabilities	<u><u>615,188</u></u>	<u><u>489,117</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than investment properties, interests in associates, available-for-sale financial assets, held-to-maturity investments, other loan to a shareholder of an associate, amount due from a joint venturer, amount due from an associate, bank balances and cash and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segments other than tax liabilities, amount due to a joint venturer, amounts due to associates, bank borrowings, deferred tax liabilities and liabilities for which reportable segments are jointly liable.

#### 4. SEGMENT INFORMATION (Continued)

##### Other segment information

For the year ended 31 March	Provision of piped Gas Fuel		Transportation, distribution and retail of bottled LPG		Unallocated		Consolidation	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Amounts included in measure of segment profit or segment assets</b>								
Depreciation	17,524	9,921	3,870	3,601	2,776	4,512	24,170	18,034
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	1,645	2,113	(54,416)	(198)	51	(8)	(52,720)	1,907
Amortisation of prepaid lease payments	482	649	237	233	–	–	719	882
Amortisation of intangible assets	3,774	4,699	526	517	–	–	4,300	5,216
Impairment loss recognised in respect of trade and other receivables	6,406	231	–	309	–	19,994	6,406	20,534
Impairment loss recognised in respect of inventories (included in cost of sales)	654	–	–	–	–	–	654	–
Capital expenditure in respect of prepaid lease payments	532	5,707	–	–	–	–	532	5,707
Capital expenditure in respect of property, plant and equipments	117,251	127,333	1,844	5,797	5,110	22,406	124,205	155,536
Capital expenditure in respect of intangible assets	–	995	–	–	–	–	–	995
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments	19,511	4,321	593	570	–	–	20,104	4,891
Deposit paid for acquisition of a jointly controlled entity	–	–	41,489	–	–	–	41,489	–
Gain on disposal of subsidiaries	–	(257,189)	–	–	–	–	–	(257,189)
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets</b>								
Interests in associates	37,959	32,784	–	–	51,774	30,863	89,733	63,647
Share results of associates	(4,090)	(7,046)	–	–	3,953	2,482	(137)	(4,564)
Gain on fair value changes of investment properties	–	–	–	–	(1,281)	(1,160)	(1,281)	(1,160)
Bank interest income	(2,000)	(882)	(388)	(139)	(1,012)	(528)	(3,400)	(1,549)
Gain on disposal of subsidiaries	–	–	–	–	(1,361)	–	(1,361)	–
Finance costs	3,656	471	361	768	–	5,616	4,017	6,855
Income tax expense	14,918	18,603	8,914	1,645	–	–	23,832	20,248

#### 4. SEGMENT INFORMATION (Continued)

##### *Geographical information*

The Group's operations and non-current assets are all located in the PRC. Accordingly, no geographical information is presented.

##### *Information about major customers*

No information about major customer is presented as no single customer contributed over 10% of the total turnover of the Group during the years ended 31 March 2011 and 2010.

#### 5. OTHER OPERATING INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Bank interest income	3,400	1,549
Other loan interest income	2,141	1,820
Gain on fair value changes of investment properties	1,281	1,160
Exchange gain, net	1,883	97
Dividend income	491	11
Rental income from investment properties, net of outgoing ( <i>Note a</i> )	249	291
Other rental income, net of outgoing ( <i>Note b</i> )	222	835
Government grants ( <i>Note c</i> )	4,109	2,186
Sales of gas appliance:		
– Income	4,807	4,267
– Cost of sales	(4,304)	(3,486)
	503	781
LPG cylinders trains rental, net of outgoing ( <i>Note d</i> )	47	237
Waiver of trade payables	–	1,333
Reversal of impairment loss recognised in respect of trade and other receivables	146	431
Others	1,129	645
	<b>15,601</b>	<b>11,376</b>

##### *Notes:*

- (a) The amount represents net rental income generated from investment properties after deducting direct operating expenses of approximately HK\$15,000 (2010: HK\$15,000).
- (b) The amount represents net rental income generated from other assets after deducting direct operating expenses of approximately HK\$13,000 (2010: HK\$44,000).

## 5. OTHER OPERATING INCOME (Continued)

- (c) The amount represents unconditional grants from the PRC government specifically for encouraging the Group's pipeline diversion in the PRC and one-off government grant for the Group's enlarged investment in a subsidiary.
- (d) The amount represents net rental income generated from LPG cylinders trains after deducting direct operating expenses of approximately HK\$59,000 (2010: HK\$73,000).

## 6. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on convertible notes	–	650
Interest on other loans	457	279
Interest on bank loans wholly repayable within five years	3,101	10,761
Interest on bank loans wholly repayable after five years	<u>10,262</u>	<u>2,030</u>
	13,820	13,720
<i>Less: amount capitalised in construction in progress (Note)</i>	<u>(9,803)</u>	<u>(6,865)</u>
	<u><u>4,017</u></u>	<u><u>6,855</u></u>

*Note:* The borrowing costs have been capitalised at a rate of 5.19% – 6.87% per annum (2010: 6.53% to 8.21%).

## 7. INCOME TAX EXPENSE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current tax:		
– PRC Enterprise Income Tax	20,688	23,103
– Overprovision in prior years	(1,640)	(2,137)
Deferred tax liabilities		
– Current year	<u>4,784</u>	<u>(718)</u>
	<u><u>23,832</u></u>	<u><u>20,248</u></u>

No provision for Hong Kong Profits Tax has been made since the Group had no assessable profit for the years ended 31 March 2011 and 2010.

## 7. INCOME TAX EXPENSE (Continued)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are still subject to the entitlement of summarised tax holidays (including two-year exemption and three-year half rate) under the then existing preferential tax treatments, the summarised tax holiday is allowed to be carried forward to 2008 and future years until their expiry. However, if an entity has not yet commenced its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards. The relevant tax rates for the Group's other subsidiaries in the PRC is 25%.

## 8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Staff costs, including directors' and senior management's emoluments		
– Salaries, wages, allowances and benefits in kind	59,349	52,077
– Retirement benefits scheme contributions	3,465	2,335
– Equity-settled share-based payments	9,254	–
	<u>72,068</u>	<u>54,412</u>
Cost of inventories recognised as expenses	571,925	464,763
Auditor's remuneration	1,900	1,800
Depreciation of property, plant and equipment	24,170	18,034
Impairment loss recognised in respect of inventories (included in cost of sales)	654	–
Equity-settled share-based payments ( <i>Note</i> )	7,364	–
Amortisation of prepaid lease payments	719	882
Amortisation of intangible assets (included in cost of sales)	4,300	5,216
Share of tax of associates (included in share of results of associates)	<u>1,532</u>	<u>1,157</u>

*Note:* The amounts represented the fair value of consultancy and advisory services provided to the Group during the year ended 31 March 2011.

## 9. DIVIDEND

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of basic and diluted earnings per share is based on the following data:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the Company	<u>45,639</u>	<u>300,614</u>
<b>Shares</b>		
	<b>Number of shares</b>	
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u>4,082,224,554</u>	<u>4,082,224,554</u>

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the average market price of the Company's share for year ended 31 March 2011 and 2010.

The basic and the diluted earnings per share are the same.

## 11. TRADE AND OTHER RECEIVABLES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade and bill receivables	51,369	29,814
<i>Less:</i> Impairment loss recognised in respect of trade and bill receivables	<u>(6,820)</u>	<u>(805)</u>
	<u>44,549</u>	<u>29,009</u>
Other receivables	211,078	86,111
<i>Less:</i> Impairment loss recognised in respect of other receivables	<u>(25,542)</u>	<u>(23,551)</u>
	<u>185,536</u>	<u>62,560</u>
	<u>230,085</u>	<u>91,569</u>

The Group allows its trade customers with credit periods normally ranging from 30 days to 90 days and extending to 180 days for major customers.



## 11. TRADE AND OTHER RECEIVABLES (Continued)

An aged analysis of the trade and bill receivables (net of impairment loss recognised) as at the end of the reporting period, based on the invoice date, is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current to 90 days	29,531	18,711
91 days to 180 days	6,385	6,921
Over 180 days	8,633	3,377
	<u>44,549</u>	<u>29,009</u>

An analysis of the other receivables by nature (net of impairment loss recognised) as at the end of the reporting period is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Amount due from a former associate – <i>Note (i)</i>	3,556	3,418
Amount due from jointly controlled entities – <i>Note (i)</i>	472	1,773
Consideration receivable for assets disposal – <i>Note (ii)</i>	76,634	–
Amount due from a shareholder of an associate – <i>Note (iii)</i>	14,032	–
Interest receivables from other loan to a shareholder of an associate	1,911	1,820
Prepayments	12,537	7,842
Deposit paid/payment in advance to suppliers	59,619	40,196
Others	16,775	7,511
	<u>185,536</u>	<u>62,560</u>

*Notes:*

- (i) The balances due from a former associate/jointly controlled entities are unsecured, interest-free and repayable on demand.
- (ii) The Group has disposed of certain property, plant and equipment and prepaid leases payment to Guiyang Railway Construction Co. Ltd. at a total cash consideration of approximately HK\$76,634,000 (equivalent to approximately RMB66,206,000). There are approximately HK\$70,609,000 has been settled at the date of this announcement.

## 11. TRADE AND OTHER RECEIVABLES (Continued)

(iii) The balances are unsecured, interest-free and repayable on demand.

## 12. TRADE AND OTHER PAYABLES

The following is an analysis of major components of the balance with aged analysis of trade payables:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade payables, falling due in:		
Current to 90 days	35,512	34,141
91 to 180 days	12,523	6,964
Over 180 days	<u>20,422</u>	<u>11,849</u>
Trade payables	68,457	52,954
Deposit received from customers ( <i>Note i</i> )	139,333	90,547
Customer gas deposits and other deposit received	10,840	9,864
Gas fuel income received in advance	22,817	16,621
Other payable for the purchase of property, plant and equipment and intangible assets	916	1,824
Other loans ( <i>Note ii</i> )	2,371	5,876
Accrued charges and other payables	<u>32,841</u>	<u>25,597</u>
	<u><u>277,575</u></u>	<u><u>203,283</u></u>

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

*Notes:*

- (i) Deposits received from customers represent the gas pipeline connection fee received but the pipelines have not yet been completed as at the end of the reporting period.
- (ii) Other loans as at 31 March 2011 and 2010 were unsecured, interest bearing at rates ranging from 5.58% to 7.47% (2010: 5.58% to 7.47%) per annum and repayable within one year.

### 13. COMMITMENTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Contracted for but not provided in the consolidated financial statements		
Capital expenditure in respect of:		
Investment in an associate	157,658	22,784
Commitments in respect of the acquisition of:		
Property, plant and equipment	<u>49,041</u>	<u>5,126</u>
	<u><b>206,699</b></u>	<u><b>27,910</b></u>

### 14. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings of the Group:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Property, plant and equipment	5,205	11,005
Investment properties	–	4,665
Intangible assets – exclusive rights of operations	2,267	23,658
Prepaid lease payments in respect of land use rights	8,206	16,235
Bank deposits	<u>8,228</u>	<u>8,076</u>
	<u><b>23,906</b></u>	<u><b>63,639</b></u>

### 15. EVENTS AFTER THE REPORTING PERIOD

On 25 March 2011, Beijing Zhonglian Hua An Investment Co., Ltd. (“Beijing Zhonglian”), an indirect wholly owned subsidiary of the Company, and Guizhou Gas (Group) Co., Ltd. (“Guizhou Gas”) entered into the agreement pursuant to which Beijing Zhonglian has agreed to purchase and Guizhou Gas has agreed to sell, the 49.9% of the entire registered capital and paid up capital of Pan River Gas (China Southwest) Co., Ltd. (“Southwest Panva”), for a total cash consideration of RMB35,000,000 (equivalent to approximately HK\$41,489,000). The Group has paid the consideration as at 31 March 2011 and the transaction is still not completed up to the date of this announcement. Upon completion, Southwest Panva become a jointly controlled entity of the Group. Details of this acquisition had been set out in the Company’s announcement dated 28 March 2011.

## 15. EVENTS AFTER THE REPORTING PERIOD (Continued)

On 23 May 2011, the Company, as a lender, has entered into further loan extension agreement with Yongheng Development Corporation Limited (“Yongheng”), the ultimate holding company of one of the Group’s associates, Shenzhen Yongheng Lecai Technology Development Company Limited (“Yongheng Lecai”), pursuant to which the Company has agreed to extend the repayment date of the outstanding loan to 11 May 2012. Yongheng shall pay interest on the total outstanding loan at the interest rate of 5% per annum during the extension period. Details had been set out in the Company’s announcement dated 23 May 2011.

On 9 June 2011, Beijing Zhonglian, an indirect wholly owned subsidiary of the Company, Yunnan Industrial Investment Holdings (Group) Co., Ltd. (“Yunnan Industrial”) entered into the agreement pursuant to which Beijing Zhonglian has agreed to purchase and Yunnan Industrial has agree to sell, the 20.12% of the entire registered capital and paid up capital of Panva Gas (Yunnan) Co., Ltd., for a total cash consideration of RMB26,000,000 (equivalent to approximately HK\$31,343,000). Details of this acquisition had been set out in the Company’s announcement dated 10 June 2011.

On 13 June 2011, the Company entered into an agreement with Yongheng, pursuant to which, among others, the Company has conditionally agreed to purchase the other 60% interest in Yongheng Lecai for a total consideration of approximately HK\$465,227,000, which shall be satisfied by the Company as to (i) approximately HK\$419,838,000 by the Company to allot and issue 1,727,729,582 shares of the Company; and (ii) approximately HK\$45,389,000 by setting off against the loan due from the shareholder of Yongheng Lecai amounting to HK\$43,050,000 and the related accrued interest of HK\$2,339,000 up to 10 June 2011. The transaction is still not yet completed up to the date of this announcement. Details of this acquisition had been set out in the Company’s announcement dated 15 June 2011.

## **BUSINESS REVIEW**

### **Provision of piped gas fuel business**

The Group is principally engaged in provision of piped gas fuel business to a large number of urban household and commercial & industrial customers through construction and maintenance of urban gas fuel networks in the PRC, which is the major income source of the Group. During the reporting period, the Group made rapid progress as a result of its ongoing effort to expand its customer base, improve its service quality, and increase its regional coverage of piped gas fuel.

During the year ended 31 March 2011, the Group achieved piped gas fuel sales of 213.67 million cubic meters (“m<sup>3</sup>”) in total, representing a growth of 22.2% over the corresponding period last year. Among the total sales, 36.45 million m<sup>3</sup> of gas fuel were made to household customers and this represented a growth of 18.7% over the corresponding period last year; and 177.22 million m<sup>3</sup> of gas fuel were made to commercial & industrial customers, a growth of 22.9% over the corresponding period last year.

During the year ended 31 March 2011, the Group had an addition of 93,280 household customers and 385 commercial & industrial customers, representing an increase of 20.4% and 55.2% respectively as compared to the corresponding period last year. As at the end of the reporting period, the Group had an accumulated number of connected household customers of 376,590 and commercial & industrial customers of 2,862, representing an increase of 32.9% and 15.5% respectively as compared to the corresponding period last year.

During the year ended 31 March 2011, the Group recorded a turnover of approximately HK\$598,084,000 from the provision of piped gas fuel, representing an increase of 32.6% over the corresponding period last year. Turnover from the provision of piped gas fuel accounted for 70.0% of the turnover of the Group for the year.

The gross profit and segment result for the year ended 31 March 2011 amounted to approximately HK\$190,726,000 and approximately HK\$111,955,000 represented an increase of 10.7% and 2.1% respectively as compared with the corresponding period last year. Gross profit margin decreased 6.3% to 31.9%. It was mainly due to more sales of gas fuel that generating stable and longer term income stream compared with one-off connection fee that generating higher gross profit margin in year 2011.

## **Transportation, distribution and retail of bottled liquefied petroleum gas (“LPG”) business**

The business of transportation, distribution, and retail of bottled LPG is vigorously developed by the Group in recent years. It has achieved swift development since its official commencement in 2007. During the reporting period, the Group maintained its current business growth in the region. In the meantime, new projects were proactively explored, resulting in greater progress.

During the year ended 31 March 2011, sales of LPG by the Group reached 36,228 tons in total, representing a decrease of 27.0% over the corresponding period last year. The Group realised an income from sales of LPG of approximately HK\$255,784,000, which was similar to that of last year. Gross profit margin maintained around 15%. Excluding the non-operational gain on the disposal of certain property, plant and equipment and prepaid lease payments of approximately HK\$54,451,000 to Guiyang Railway Construction Co., Ltd. (“Guiyang Railway Construction”), which is due to the civil reconstruction of Guiyang Railway Transportation Center by the provincial government in Guizhou (Details of which are referred to “Other Events During the Reporting Period”), the adjusted segment result was approximately HK\$3,103,000, representing a decrease of approximately HK\$5,607,000 compared to the corresponding period last year. The decrease was mainly due to the cost for the regular maintenance and checking for LPG cylinders trains. Income from the transportation, distribution and retail of bottled LPG accounted for approximately 30.0% of the turnover.

## **Lottery agency business**

In December 2008, Beijing Zhongmin Gas Co., Ltd. (“Beijing Zhongmin”), a wholly-owned subsidiary of the Group, and Yongheng Development Group (Shenzhen) Company Limited (“Shenzhen Yongheng”) jointly invested to set up an associate, Yongheng Lecai, in Shenzhen, the PRC. Yongheng Lecai is engaged in the development of software with intelligent electronic engineering technology, the operation of real estate development on lands with legitimate land use right, industrial investment and operation (specific projects to be applied separately) and the research, development and manufacturing of video lottery machines (license for manufacturing site to be applied), sales of computer welfare lottery “Keno Games Lottery”(快樂彩) (previously referred to as “Kuai2”) (operated by a division subject to the franchise license and a letter of reply from Shenzhen Civil Service), technological development of lottery equipment products and computer software, and consultation on economic information (excluding projects with restriction), and commissioned sales of China Welfare Lottery. On 28 December 2010, Yongheng Lecai entered into “China Welfare Lottery Keno Games Lottery Distribution Agreement” with Shenzhen Welfare Lottery Issuing Centre (“Shenzhen Lottery Centre”), whereby Yongheng Lecai in addition to Shenzhen Lottery Centre will be the sole agent to operate and sell “Keno Games Lottery” in Shenzhen. On 18 April 2011, Yongheng Lecai entered into “China Welfare Lottery Distribution Agreement” with Shenzhen Lottery Centre, whereby Yongheng Lecai will set up betting branches in Shenzhen to sell welfare lottery, including but not limited to “Shenzhen Feng Cai”(深圳風采), “Shuang Se Qiu”(雙色球), “Qi Le Cai”(七樂彩), “3D”.

On 11 May 2011, the General Office of the Ministry of Finance of the PRC announced the “Notification in respect of Increasing Proportion of Pay-out for Keno Welfare Lottery in Certain Locations” 《關於提高部分地方福利彩票快速開獎遊戲返獎比例的通知》 whereby agreeing that China Welfare Lottery Issuance and Management Centre (中國福利彩票發行管理中心) is to sell Keno Game Lottery in Shenzhen and the lottery pool is to be divided into pay-out dividend, lottery distribution fee, and lottery charity fund in the proportion of 59%, 13% and 28% respectively.

On 1 June 2011, China Welfare Lottery Issuance and Management Centre (中國福利彩票發行管理中心) announced the “Approval regarding the Sale of High pay-out Keno Games Lottery in Shenzhen City, Guangdong Province” 《關於在廣東省深圳市銷售高返獎快速開獎遊戲快樂彩的批復》 whereby agreeing that Guangdong Province Welfare Lottery Issuing Centre (廣東省福利彩票發行中心) is to sell high pay-out Keno Games Lottery in Shenzhen.

On 13 June 2011, the Company entered into an agreement with Yongheng, the holding company of Shenzhen Yongheng, in which the Company has conditionally agreed to purchase the other 60% equity interest in Yongheng Lecai for a total consideration of approximately HK\$465,227,000, details of which had been set out in the Company’s announcement dated 15 June 2011. Upon Completion, Yongheng Lecai will be a wholly-owned subsidiary of the Group.

## **NEW PROJECTS DURING THE REPORTING PERIOD**

### **Investment in the Establishment of Yongding Changning**

During the reporting period, Fujian Province An Ran Gas Investment Company Limited (“Fujian An Ran”), a jointly-controlled entity of the Group, invested in the establishment of Yongding Changning Gas Development Limited (“Yongding Changning”) in Yongding County, Fujian Province with registered capital of RMB10,000,000. The operation scope of Yongding Changning involves construction of gas pipeline network within the planned area in Yongding County, transmission and supply of piped gas fuel (under construction) (subject to relevant qualification and safety production license), and sales, installation and maintenance of ancillary gas equipment (subject to business license and approval by relevant authorities).

### **Investment in the Establishment of Zhangzhou Longan**

During the reporting period, Fujian An Ran and Zhangzhou Economic Development Limited made joint investment in establishment of Zhangzhou Longan Gas Co., Ltd. (“Zhangzhou Longan”) with registered capital of RMB20,000,000, of which RMB15,000,000 was contributed by Fujian An Ran representing 75% of equity interest. The operation scope of Zhangzhou Longan involves construction and management of gas pipeline infrastructures, investment in gas pipeline projects, and operation of piped gas fuel.



## **Investment in the Establishment of Xupu Zhongmin**

In September 2010, the Group and Xupu County Jinyuan LPG Filling Station made a joint investment in the establishment of Xupu Zhongmin Gas Co., Ltd. (“Xupu Zhongmin”) with registered capital of RMB1,000,000, of which RMB510,000 was contributed by the Group representing 51% of equity interest in Xupu Zhongmin. The operation scope of Xupu Zhongmin involves wholesale and retail of LPG and gas fuel equipment.

## **Investment in the Establishment of Zhonghua Yongbaofu**

On 18 November 2010, Beijing Zhongmin, Shenzhen Yongheng, and independent third parties entered into a cooperative agreement (“Cooperative Agreement”) for joint formation of Zhonghua Yongbaofu Life Insurance Investment Company Limited (“Zhonghua Yongbaofu”) in the PRC. Upon its establishment, which is subject to the approval from China Insurance Regulatory Commission, the registered capital of Zhonghua Yongbaofu was RMB380,000,000, of which RMB133,000,000 (35%) was contributed by Beijing Zhongmin in cash. It is intended that Zhonghua Yongbaofu will engage principally in the provision of public assistance insurance, personal medical insurance, employment insurance and specific personal insurance to the disabled in the PRC.

## **Acquisition of 49.9% equity interest in Southwest Panva**

On 25 March 2011, Beijing Zhonglian, entered into equity share transfer agreement with an independent third party, whereby Beijing Zhonglian acquired 49.9% of equity interest in Pan River Gas (China Southwest) Co., Ltd. (“Southwest Panva”) at a total consideration of RMB 35,000,000 (equivalent to approximately HK\$41,489,000). Southwest Panva is principally engaged in wholesaling and retailing of LPG in Guizhou Province, the PRC. The transaction was not yet completed at the date of this announcement. As a result, acquisition of Southwest Panva will expand the LPG operation of the Group and increase the market share in the southwestern region of the PRC.

## **DISPOSAL PROJECTS DURING THE REPORTING PERIOD**

### **Disposal of Available-for-sale Financial Assets**

In order to streamline the business structure and capture the opportunities to realise investments to other high value-added projects, the Group disposed of its 150,000,000 shares in ZMAY Holdings Limited (“ZMAY”)(stock code: 08085) at an aggregate cash consideration of approximately HK\$30,152,000 in April 2010. Such ZMAY shares were subscribed in August 2007 at a share price of HK\$0.2 with a total cost of approximately HK\$30,000,000. Profit arising from such disposal (before netting of relevant costs) amounted to approximately HK\$152,000. However, in accordance with the accounting treatment under HKAS 39, when financial asset is derecognised, accumulated loss previously recognised in other comprehensive income would be reclassified and adjusted to profit or loss from equity, resulting in loss of approximately HK\$64,426,000 on disposal of available-for-sale financial assets.



## **OTHER EVENTS DURING REPORTING PERIOD**

### **Guizhou Zhongmin's Construction of New LPG Storage and Distribution Station**

Due to civil reconstruction of Guiyang Railway Transportation Center by the provincial government in Guizhou, an agreement dated 19 March 2011 was entered into between Guizhou Zhongmin Gas Co.,Ltd. ("Guizhou Zhongmin"), a wholly-owned subsidiary of the Group, and Guiyang Railway Construction, pursuant to which Guizhou Zhongmin disposed certain prepaid lease payments and property, plant and equipment to Guiyang Railway Construction at a total cash consideration of RMB 66,206,000 (equivalent to approximately HK\$76,634,000). The Ministry of Railways of the People's Republic of China agreed to make restitution to Guizhou Zhongmin Special Railway based on the original standard adjustment. A profit of approximately HK\$54,451,000 was generated from the disposal. Guizhou Zhongmin is currently seeking a location for new LPG storage and distribution station. Upon completion of its construction, Guizhou Zhongmin will officially commence its operation.

### **Financial Review**

#### ***Gross profit***

During the year ended 31 March 2011, the Group's business realised a gross profit of HK\$229,749,000 (2010: HK\$210,330,000), representing an increase of 9.2% compared with the corresponding period last year. The overall gross profit margin was 26.9%, shown a decrease of 2.9% when compared with the corresponding period last year.

The increase in gross profit was due to the increase in turnover from the sale of piped gas fuel. The Group's sale of piped gas fuel has substantially increased 42.2% when compared with that of the corresponding period last year. Such increase was mainly due to the strong demand from commercial and industrial customers previously affected by 5.12 Wenchuan Mega Earthquake. The competitive price of Indonesian LNG also stimulated the demand for clean energy in Fujian Province. Both factors resulted in a boost to the turnover and thus gross profit.

The drop in overall gross profit margin was due to more sales of gas fuel that generating stable and longer term income stream compared with one-off connection fee that generating higher profit margin in year 2011. The proportion from sales of piped gas fuel in the provision of piped gas fuel continuously showed an increase from 65.7% to 70.5% when compared with the corresponding period last year. The profit margin of sales of piped gas fuel was lower than that of connection fee that led to a decline in gross profit margin. In the first half of 2010, both the price of natural gas transmission and the benchmark price of oil and gas fields (or terminals) climbed upward. However, due to time required for approval of raising in the price of gas fuel for household use, the price adjustment takes a longer time which to some extent impedes new retail price. Such price impediment has been resolved in the second half year.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 31 March 2011, the total assets of the Group was approximately HK\$1,769,743,000, and current liabilities, long-term liabilities, equity attributable to owners of the Company and non-controlling interests amounted to approximately HK\$403,025,000, HK\$212,163,000, HK\$1,083,506,000, and HK\$71,049,000, respectively.

As at 31 March 2011, the Group's cash and cash equivalents amounted to approximately HK\$262,763,000 (2010: approximately HK\$316,191,000), and the total borrowings were equivalent to approximately HK\$216,668,000 (2010: approximately HK\$208,946,000). The debt-to-capitalisation ratio, representing the ratio of total borrowings to borrowings and owners' equity, was 16.7% (2010: 18.4%).

Operating cash flow before change in working capital amounted to approximately HK\$131.1 million, representing an increase of 11.6% from the last year.

Net cash used in investing activities amounted to approximately HK\$210.0 million while net cash of HK\$115.7 million generated from investing activities in last year. It was due to the cash consideration received of HK\$363.3 million for the disposal of Fujian An Ran Group in last year.

Net cash generated from financing activities of approximately HK\$24.8 million as compared with net cash outflow of HK\$144.5 million last year was due to the redemption of convertible notes.

## **BORROWING STRUCTURE**

As at 31 March 2011, the total borrowings of the Group were approximately HK\$216,668,000 (2010: approximately HK\$208,946,000), which mainly comprised domestic bank borrowings denominated in Renminbi of the project companies in the PRC. The borrowings, which carried interest at fixed rates or the interest rate announced by People's Bank of China, were applied to gas pipeline construction, as general working capital and for operating expenses. Apart from the borrowings with an amount equivalent to approximately HK\$210,740,000 which were secured by certain assets with a carrying amount of approximately HK\$23,906,000, others were unsecured. Short-term borrowings amounted to approximately HK\$24,064,000, while others were long-term borrowings due after one year.

## **CAPITAL STRUCTURE**

The Group's long-term capital comprised owners' equity and borrowings, which was confirmed by the sound debt-to-capitalisation ratio stated in the section headed "Liquidity and Capital Resources" above.

## **EXPOSURE TO FOREIGN EXCHANGE RISK**

All of the Group's operations are carried out in the PRC and substantially all of its incomes and expenses are denominated in RMB. During the year ended 31 March 2011, the exchange rate of RMB had shown continuously appreciation. The Group closely monitors the market exchange rates and make appropriate adjustment when necessary.

## **CAPITAL COMMITMENTS**

As at 31 March 2011, the Group's capital commitments amounted to approximately HK\$206,699,000, mainly attributable to running district gas pipeline construction and purchasing buildings for office use and for the purpose of investment in Zhonghua Yongbaofu.

## **CONTINGENT LIABILITIES**

As at 31 March 2011, the Group had no material contingent liabilities.

### **Prospects**

#### *Piped gas fuel business*

Compared with the other major fossil energies, namely, petroleum and coal, natural gas is less polluting, with the least emission of carbon dioxide. Hence, natural gas plays a major role in the energy consumption of developed countries in America and Europe. Abundant coal resources, along with scarce natural gas reserve, have led to the stagnant development of natural gas in PRC. Towards the 21st century, the PRC government intended to popularise natural gas in major cities, in response to the increased awareness of reducing pollution, energy saving, and reducing emission, as well as its recognition of transformation in economic growth pattern. To meet the soaring demand, the PRC government scales up domestic exploration and exploitation of natural gas, and seeks multiple channels to import natural gas. In recent years, China has achieved great development but low penetration rate of natural gas. During the period under the execution of the plan of "Twelfth Five Year", the PRC government aggressively commit itself on the application of natural gas. As expected, the percentage of natural gas will raise from 4% to 8% in the energy consumption by 2015. It will result in annual production of natural gas of 260 billion m<sup>3</sup>. The Group will solidify and explore the markets in the regions where our piped gas fuel business is located, and further enhance our service standard. It is believed that the piped gas fuel business of the Group will step forward during the upcoming years.

### ***LPG business***

In recent years the Group has been striving to develop LPG, the business scope of which is mainly located in Yunnan Province, Guizhou Province, and Huaihua City, Hunan Province. Natural resources are scarce in these areas while LPG serves as one of the dominant energies. For the development of LPG business, the Group explores stable supply of gas resources through multiple channels, so as to enhance transportation capacity of the Group and intensively expand LPG storage of the Group. Having experienced four years of endeavors, the Group achieved breakthroughs in all aspects of the LPG market. Meanwhile, after benefiting from the acquisition of equity interest in Southwest Panva and Yunnan Panva, the Group's market share in the southwestern region of China, including Yunnan Province and Guizhou Province, has been increased. And our role in these regions has become increasingly important. In the future, the Group will extend its reputation among its vast customer base; and expand its market presence by intensively focusing on the construction of retailer market, expansion of retailer networks, and perfection of service quality.

### ***Lottery business***

According to the statistics published by the Ministry of Finance of China, the nationwide lottery sales in 2010 rose by RMB 33.770 billion or 25.5% to RMB 166.248 billion, of which the welfare lottery sales increased by RMB 21.197 billion or 28.0% to RMB 96.802 billion. In the end of September 2010, the Ministry of Finance implemented "Interim Administrative Measures for Telephone Lottery Sales" and "Interim Administrative Measures for Internet Lottery Sales", represents significant breakthrough in the marketing channel of the lotteries where telemarketing and internet marketing facilitate lottery purchase activities while promoting new types of lotteries suitable for telemarketing and internet marketing. The lottery business of Yongheng Lecai was approved by the Ministry of Finance and the Welfare Lottery Issuing Centre. Followed by the completion of the acquisition of Yongheng Lecai, the Group will capture the great opportunities arising from the fast-growing lottery market in the PRC, and will promptly commence various lottery businesses of Yongheng Lecai, so as to explore the market share with our best effort. As we believed, the prospects of the Group's lottery business will be very board in the future. The smooth beginning of various lottery businesses will generate sufficient cash flow and great investment returns for the Group.

Looking ahead, the Group continues to maintain the constant development of the piped gas fuel business, aggressively explore the of LPG market, and proactively commence various lottery businesses and expand the market share with our best effort, so as to maximise the investment returns for the Shareholders and investors as a whole.

## **REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE**

The audit committee of the Company, comprising independent non-executive directors, has reviewed the accounting principles and practices adopted by the Company and have discussed auditing, internal control and financial reporting matters. The audit committee has reviewed the Group's financial statements for the year ended 31 March 2011.

## **PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2011.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "Code") as stated in Appendix 14 to the Listing Rules. As far as the Code is concerned, the Company complies with all aspects of the Code.

*As at the date of this announcement, the Board comprises six executive directors, namely, Mr. Xu Ruixin, Dr. Mo Shikang, Mr. Zhang Hesheng, Mr. Zhu Peifeng, Mr. Jin Song and Mr. Chu Kin Wang Peleus, and three independent non-executive directors, namely, Dr. Liu Junmin, Mr. Tan Qinglian and Mr. Sin Ka Man.*

On behalf of the Board of  
**Chinese People Holdings Company Limited**  
**Mr. Jin Song**  
*Managing and Executive Director*

Beijing, 30 June 2011