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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 FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

FINANCIAL HIGHLIGHTS

- Turnover of the Group was approximately HK\$602,832,000 for the six months ended 30 September 2012, representing an increase of approximately 20.2% from the corresponding period last year.
- For the six months ended 30 September 2012, gross profit of the Group was approximately HK\$151,597,000, representing an increase of approximately 12.8% from the corresponding period last year.
- Both piped gas and LPG segments recorded an increase in profit when compared with last period.
- Profit for the six months ended 30 September 2012 decreased approximately HK\$238,556,000 or 91.2% which was substantially less than that of the corresponding period in 2011. The decrease in profit was mainly attributable to the non-recurring and non-cash income arising from further acquisition of lottery business and recorded for approximately HK\$231 million for the six months ended 30 September 2011, whereas no such income was recorded in this reporting period. Excluding such non-recurring item, the profit for the period decreased approximately HK\$8,039,000 or 25.8%. Such decrease was mainly due to the increase in the amortisation of intangible asset – exclusive right of operation of lottery sales.
- Net assets value per share was HK\$0.318 as at 30 September 2012 (31 March 2012: HK\$0.315).

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Chinese People Holdings Company Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2012, together with the unaudited comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2012

		Six months ended 30 September	
		2012	2011
	Notes	HK\$'000	HK\$'000
Turnover	3	602,832	501,317
Cost of sales and services		(451,235)	(366,928)
Gross profit		151,597	134,389
Other operating income		9,553	5,189
Administrative expenses		(116,774)	(85,612)
Re-measurement of interest in an associate to fair value on business combination		–	230,517
Share of results of associates		2,651	12
Finance costs	4	(4,384)	(1,815)
Profit before tax	5	42,643	282,680
Income tax expense	6	(19,571)	(21,052)
Profit for the period		23,072	261,628
Other comprehensive (expense)/income for the period			
Exchange differences arising on translation of foreign operations		(6,151)	24,945
Loss on fair value changes of available-for-sale financial assets		(4)	(19)
Other comprehensive (expense)/income for the period		(6,155)	24,926
Total comprehensive income for the period		16,917	286,554

		Six months ended	
		30 September	
		2012	2011
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to:			
Owners of the Company		16,538	259,813
Non-controlling interests		6,534	1,815
		<u>23,072</u>	<u>261,628</u>
 Total comprehensive income attributable to:			
Owners of the Company		10,383	284,739
Non-controlling interests		6,534	1,815
		<u>16,917</u>	<u>286,554</u>
		<i>HK Cents</i>	<i>HK Cents</i>
 Earnings per share	 8		
– basic and diluted		<u>0.28</u>	<u>5.95</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

		30 September 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		943,424	884,260
Investment properties		26,722	26,825
Prepaid lease payments		59,387	49,870
Goodwill		138,186	138,301
Intangible assets		844,816	869,980
Interests in associates		41,311	38,811
Available-for-sale financial assets		83,636	83,961
Deposit paid on acquisition of property, plant and equipment and prepaid lease payments		36,968	24,912
		<u>2,174,450</u>	<u>2,116,920</u>
Current assets			
Inventories		52,038	47,854
Trade and other receivables	9	185,695	168,265
Amount due from an associate		1,028	1,032
Prepaid lease payments		1,230	1,224
Held-to-maturity investments		–	40,554
Pledged bank deposits		5,369	5,390
Bank balances and cash		375,846	349,734
		<u>621,206</u>	<u>614,053</u>
Current liabilities			
Trade and other payables	10	351,944	316,650
Tax liabilities		55,777	55,936
Amount due to a director		3,863	3,833
Amount due to a joint venturer		133	28
Amount due to an associate		1	1
Bank borrowings – due within one year		82,334	66,920
		<u>494,052</u>	<u>443,368</u>
Net current assets		<u>127,154</u>	<u>170,685</u>
Total assets less current liabilities		<u><u>2,301,604</u></u>	<u><u>2,287,605</u></u>

	30 September 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
Capital and reserves		
Share capital	406,697	406,697
Reserves	1,352,199	1,341,816
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Equity attributable to owners of the Company	1,758,896	1,748,513
Non-controlling interests	88,294	81,760
	<hr/>	<hr/>
Total equity	1,847,190	1,830,273
	<hr/>	<hr/>
Non-current liabilities		
Bank borrowings – due after one year	216,802	217,635
Amount due to a director	28,625	27,714
Deferred tax liabilities	208,987	211,983
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	454,414	457,332
	<hr/>	<hr/>
	2,301,604	2,287,605
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2012

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Surplus reserve fund <i>HK\$'000</i>	Capital contribution <i>HK\$'000</i>	Property valuation reserve <i>HK\$'000</i>	Investment valuation reserve <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings/ losses) <i>HK\$'000</i>	Attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011(audited)	285,756	615,523	2,182	89,800	28,884	7,482	454	21	22,878	137,228	(106,702)	1,083,506	71,049	1,154,555
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	(19)	-	24,945	259,813	284,739	1,815	286,554
Issue of consideration shares	120,941	214,238	-	-	-	-	-	-	-	-	-	335,179	-	335,179
Appropriations	-	-	-	-	315	-	-	-	-	-	(315)	-	-	-
Effect on share options lapsed	-	-	-	-	-	-	-	-	(6,259)	-	6,259	-	-	-
At 30 September 2011 (unaudited)	<u>406,697</u>	<u>829,761</u>	<u>2,182</u>	<u>89,800</u>	<u>29,199</u>	<u>7,482</u>	<u>454</u>	<u>2</u>	<u>16,619</u>	<u>162,173</u>	<u>159,055</u>	<u>1,703,424</u>	<u>72,864</u>	<u>1,776,288</u>
At 1 April 2012(audited)	406,697	829,761	2,182	89,800	49,804	7,482	454	19	16,618	170,243	175,453	1,748,513	81,760	1,830,273
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	(4)	-	(6,151)	16,538	10,383	6,534	16,917
Appropriations	-	-	-	-	750	-	-	-	-	-	(750)	-	-	-
At 30 September 2012 (unaudited)	<u>406,697</u>	<u>829,761</u>	<u>2,182</u>	<u>89,800</u>	<u>50,554</u>	<u>7,482</u>	<u>454</u>	<u>15</u>	<u>16,618</u>	<u>164,092</u>	<u>191,241</u>	<u>1,758,896</u>	<u>88,294</u>	<u>1,847,190</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the six months ended 30 September 2012*

	Six months ended	
	30 September	
	2012	2011
	<i>HK\$000</i>	<i>HK\$000</i>
Net cash generated from operating activities	75,866	153,681
Net cash used in investing activities	(61,420)	(69,558)
Net cash generated from financing activities	12,453	45,407
Net increase in cash and cash equivalents	26,899	129,530
Cash and cash equivalents at beginning of the period	349,734	262,763
Effect of foreign currency rates changes	(787)	4,035
Cash and cash equivalents at end of the period	<u>375,846</u>	<u>396,328</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>375,846</u>	<u>396,328</u>

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Company and entities controlled by the Company (its subsidiaries) (collectively referred to as the “Group”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to the Hong Kong Financial Reporting Standard (“HKFRS”) and HKAS issued by the HKICPA:

HKFRS 7 (Amendments) Financial Instruments: Disclosures – Transfers of Financial Assets; and

HKAS 12 (Amendments) Deferred Tax: Recovery of Underlying Assets

Under the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group’s investment property portfolios and concluded that the Group’s investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time through rental income and that the presumption set out in the amendments to HKAS 12 is rebutted.

The application of above amendments in the current interim period has had no material effect on the amounts reported in and/or disclosures set out in the condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker (the “CODM”), being the Company’s directors, for the purposes of resources allocation and performance assessment among segments focuses specifically on different type of goods and services delivered or provided. Specifically, the Group’s reportable segment under HKFRS 8 are as follow:

1. Provision of piped gas fuel – construction of gas pipeline networks, provision of piped natural gas and LPG;
2. Transportation, distribution & retail of bottled LPG – the sale of LPG in bulk to wholesale customers and the retail of bottled LPG to end user households, industrial & commercial customers; and
3. Lottery agency sales – agent to operate and sell welfare lottery tickets in Shenzhen.

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

For the six months ended 30 September	Provision of piped gas fuel		Transportation, distribution & retail of bottled LPG		Lottery agency sales		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>412,760</u>	<u>356,143</u>	<u>189,371</u>	<u>145,162</u>	<u>701</u>	<u>12</u>	<u>602,832</u>	<u>501,317</u>
Segment profit/(loss)	<u>71,323</u>	<u>64,396</u>	<u>7,973</u>	<u>887</u>	<u>(32,550)</u>	<u>(766)</u>	<u>46,746</u>	<u>64,517</u>
Unallocated income							<u>7,607</u>	<u>2,288</u>
Unallocated corporate expenses							<u>(9,977)</u>	<u>(12,839)</u>
Re-measurement of interests in an associate to fair value on business combination							<u>-</u>	<u>230,517</u>
Share of result of associates							<u>2,651</u>	<u>12</u>
Finance costs							<u>(4,384)</u>	<u>(1,815)</u>
Profit before tax							<u><u>42,643</u></u>	<u><u>282,680</u></u>

The accounting policies of the reportable segments are the same as the Group’s accounting policies. Segment profit/(loss) represents the profit/loss earned by each segment without allocation of bank interest income, other operating income, central administrative expenses, Directors’ emoluments, re-measurement of interests in an associate to fair value on business combination, finance costs and share of results of associates. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

The following is an analysis of the Group's assets by reportable segment:

	30 September 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
Provision of piped gas fuel	1,264,946	1,207,696
Transportation, distribution & retail of bottled LPG	160,948	124,871
Lottery agency sales	812,629	827,236
	2,238,523	2,159,803
Unallocated	557,133	571,170
Consolidated assets	<u>2,795,656</u>	<u>2,730,973</u>

For the purpose 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, amount due from an associate, bank balances and cash and assets used jointly by reportable segments.

Other segment information:

	Provision of piped gas fuel		Transportation, distribution & retail of bottled LPG		Lottery agency sales		Unallocated		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
For the six months ended 30 September	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment results:										
Depreciation	13,027	11,394	2,078	1,839	819	72	3,272	1,732	19,196	15,037
Amortisation	2,794	2,509	98	96	19,583	-	-	-	22,475	2,605
Loss on disposal of property, plant and equipment	204	11	-	1	-	-	-	-	204	12
	<u>204</u>	<u>11</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204</u>	<u>12</u>
Amounts regularly provided to the CODM but not included in the measure of segment results:										
Share of results of associates	2,651	1,928	-	-	-	(1,916)	-	-	2,651	12
	<u>2,651</u>	<u>1,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,916)</u>	<u>-</u>	<u>-</u>	<u>2,651</u>	<u>12</u>

4. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Imputed interest for amount due to a director	1,018	134
Interest on bank borrowings	<u>10,153</u>	<u>14,222</u>
	11,171	14,356
Less: amount capitalised in construction in progress	<u>(6,787)</u>	<u>(12,541)</u>
	<u><u>4,384</u></u>	<u><u>1,815</u></u>

Note: The borrowing costs have been capitalised at a rate of 5.31% – 5.76% per annum (30 September 2011: 5.19% to 6.87%).

5. PROFIT BEFORE TAX

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

	(Unaudited)	
	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation:		
Intangible assets	21,859	2,237
Prepaid lease payment	616	368
Property, plant and equipment	<u>19,196</u>	<u>15,037</u>
	<u><u>41,671</u></u>	<u><u>17,642</u></u>
Total staff costs including Directors' emoluments:		
Salaries, wages, allowance and benefits in kind	40,905	33,571
Retirement benefits scheme contribution	<u>7,705</u>	<u>5,800</u>
	<u><u>48,610</u></u>	<u><u>39,371</u></u>
Loss on disposal of property, plant and equipment	<u><u>204</u></u>	<u><u>12</u></u>

6. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
PRC Enterprise Income Tax	21,892	21,150
Deferred tax liabilities		
Current period	<u>(2,321)</u>	<u>(98)</u>
	<u>19,571</u>	<u>21,052</u>

Pursuant to the rules and regulations of the Bermuda and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Bermuda and the BVI. No Hong Kong Profits Tax has been provided for as the Group does not have estimated assessable profits in Hong Kong for the six months ended 30 September 2012 and 2011.

Under the Law of the People’s Republic of China (the “PRC”) 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 periods.

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.

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (2011: nil).

No dividend payable to owners of the Company attributable to the previous financial year, approved and paid during the interim period.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$16,538,000 (2011: HK\$259,813,000) and the weighted average number of shares in issue of 5,809,954,136 (2011: 4,365,458,912) during the period.

(b) Dilutive earnings per share

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 six months ended 30 September 2012 and 2011. The basic and the diluted earnings per share are the same.

9. TRADE AND OTHER RECEIVABLES

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Trade and bill receivables	84,239	73,184
Less: Impairment loss recognised in respect of trade and bill receivables	<u>(11,082)</u>	<u>(11,401)</u>
	<u>73,157</u>	<u>61,783</u>
Other receivables	135,906	129,940
Less: Impairment loss recognised in respect of other receivables	<u>(23,368)</u>	<u>(23,458)</u>
	<u>112,538</u>	<u>106,482</u>
Total	<u>185,695</u>	<u>168,265</u>

The Group allows its trade customers with credit period normally ranging from 30 to 90 days and extending to 180 days for major customers. The Group does not hold any collateral over the balances.

(a) 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 follow:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Current to 90 days	33,964	41,862
91 to 180 days	13,232	8,559
Over 180 days	<u>25,961</u>	<u>11,362</u>
	<u>73,157</u>	<u>61,783</u>

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

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Prepayments	13,214	16,967
Deposit paid/payment in advance to suppliers	68,739	71,970
Others	30,585	17,545
	<u>112,538</u>	<u>106,482</u>

The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

The following is an analysis of major components of the balance with aged analysis of trade payables based on the invoice date:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Trade payables, falling due in:		
Current to 90 days	42,718	40,760
91 to 180 days	8,601	11,182
Over 180 days	44,683	27,288
	<u>96,002</u>	<u>79,230</u>
Trade payables	96,002	79,230
Deposit received from customers (<i>note</i>)	169,461	150,064
Customers gas deposits and other deposits received	27,411	24,895
Gas fuel income received in advance	23,797	24,695
Commission income from lottery sales received in advance	137	114
Other payables for the purchase of property, plant and equipment, intangible assets and prepaid lease payments	1,694	1,700
Accrued charges and other payables	33,442	35,952
	<u>351,944</u>	<u>316,650</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.

Note: Deposits received from customers represent the gas pipeline connection fee received but the pipelines have not yet been completed.

11. COMMITMENTS

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Contracted for but not provided in the condensed consolidated financial statements		
Capital commitment in respect of:		
Investment in an associate	162,819	163,444
Property, plant and equipment	26,915	18,671
	189,734	182,115

BUSINESS REVIEW

PROVISION OF PIPED GAS FUEL BUSINESS

Piped gas fuel business is the major business sector and also the major income source of the Group. The Group has been committed to the construction and maintenance of the urban piped gas fuel network in the PRC, so as to provide vast range of urban household and commercial & industrial customers with piped gas fuel. During the reporting period, facing the situations of continuous economic downturn and extensive competition, the Group was confident and prudent. It achieved sustainable solid growth in piped gas fuel business as a result of taking advantages of its industry experience and corporate management, its proactive promotion and ongoing effort to expand the customer base and increase its market share.

During the reporting period, the Group achieved piped gas fuel sales of 148.69 million cubic meters ("m³") in total, representing a growth of 22.0% over the corresponding period last year. Among the total sales, 25.93 million m³ of gas fuel were made to household customers and this represented a growth of 11.8% over the corresponding period last year; and 122.76 million m³ of gas fuel were made to commercial & industrial customers, a growth of 24.5% over the corresponding period last year.

During the reporting period, the Group had an addition of 42,571 household customers, slightly higher than the corresponding period last year. There were 357 new commercial & industrial customers, increased 83.1% as compared to the corresponding period last year. As at 30 September 2012, the Group had an accumulated number of connected customers of 511,448, which included 507,781 household customers and 3,667 commercial & industrial customers.

During the reporting period, the Group recorded a turnover of approximately HK\$412,760,000 from the provision of piped gas fuel, representing an increase of HK\$56,617,000 over the corresponding period last year. Turnover from the provision of piped gas fuel accounted for 68.5% of the turnover of the Group for the reporting period.

TRANSPORTATION, DISTRIBUTION & RETAIL OF BOTTLED LIQUEFIED PETROLEUM GAS (“LPG”) BUSINESS

Since the official commencement of the business of transportation, distribution & retail of bottled LPG in 2007, the Group has been, on one hand, leveraging the enhancement of the close relationship with the upper-stream gas suppliers and the effort on the exploration of new sources of LPG. On the other hand, the Group has also enhanced its transportation capabilities, so as to guarantee the supply of resources. Meanwhile, the Group has continued to increase its corporate popularity and market share in LPG terminal retail market, through the increase of retail stores and network, unification of servicing system, service standard enhancement and corporative brand building. Following our continuous effort, a considerable scale of the Group’s LPG business has been developed in areas including Yunnan, Guizhou and Hunan, supported by numerous groups of customers. Thus, the Group’s influence in the industry has been rising. LPG business has been another major source of income for the Group.

During the reporting period, sales of LPG by the Group recorded 23,601 tons in total, representing an increase of 30.7% over the corresponding period last year; the Group realised an income from sales of LPG of approximately HK\$189,371,000, representing an increase of HK\$44,209,000 over the corresponding period last year. During the same period, revenue from transportation, distribution & retail of bottled LPG accounted for 31.4% of the Group’s turnover.

LOTTERY AGENCY SALES BUSINESS

Shenzhen Yongheng Le Cai Technology Development Company Limited (“Shenzhen Le Cai”) is a company invested and established in Shenzhen, the PRC, which exclusively engaged in the lottery-related businesses. In particular, Shenzhen Le Cai is principally engaged in the commissioned sales of “Keno Games Lottery”(快樂彩) and China Welfare Lotteries (including but not limited to “Shenzhen Feng Cai”(深圳風采), “Shuang Se Qiu”(雙色球), “Qi Le Cai”(七樂彩), and “3D” etc.).

As at 30 September 2012, Shenzhen Le Cai has set up 5 lottery betting stations and 35 lottery betting stores across the Shenzhen City. All of these lottery betting stations/stores have already commenced its business. 8 more stores are currently under preparation of construction, where business will also be commenced soon. Stores are located in Futian District (with 1 lottery betting station and 7 lottery betting stores), Nanshan District (with 1 lottery betting station and 6 lottery betting stores), Longgang District (with 1 lottery betting station and 4 lottery betting stores), Bouan

District (with 9 lottery betting stores), Lowu District (with 2 lottery betting stations and 2 lottery betting stores) and Guangming New District (with 7 lottery betting stores). These regions are all benefited from its intense commercial activities and high population density. A complex lottery distributing approach is currently adopted. Under this approach, the distribution of Keno Games Lottery, China Welfare Lotteries (including “Shenzhen Feng Cai”(深圳風采), “Shuang Se Qiu”(雙色球), “Qi Le Cai”(七樂彩) and “3D”) and paper-based instant lotteries (such as Gua Gua Le) have been available in every lottery betting station/store. In the future, apart from increasing the number of stores in Shenzhen area and increasing market share so as to enhance sales, the Group will also devote itself in exploring different types of new businesses and lotteries and developing to the areas out of Shenzhen.

INVESTMENT PROJECTS DURING THE REPORTING PERIOD

Setting up Cai Cai Le

In August 2012, the Group set up Shenzhen Cai Cai Le Electronic Entertainment Technology Development Limited (“Cai Cai Le”) in Shenzhen. Its registered capital is RMB18,000,000 (equivalent to approximately HK\$22,036,000). Cai Cai Le will be engaged in the development of intelligent electronic game software technology and equipment.

FINANCIAL HIGHLIGHTS

Items	For the six months ended		Changes HK\$'000
	30 September		
	2012 HK\$'000	2011 HK\$'000	
Turnover:			
Provision of piped gas fuel business	412,760	356,143	56,617
Transportation, distribution & retail of bottled LPG business	189,371	145,162	44,209
Lottery agency sales business	701	12	689
Total	<u>602,832</u>	<u>501,317</u>	<u>101,515</u>
Gross profit :			
Provision of piped gas fuel business	125,432	111,790	13,642
Transportation, distribution & retail of bottled LPG business	30,279	22,587	7,692
Lottery agency sales business	(4,114)	12	(4,126)
Total	<u>151,597</u>	<u>134,389</u>	<u>17,208</u>

Items	For the six months ended		Changes HK\$'000
	30 September		
	2012 HK\$'000	2011 HK\$'000	
Segment results:			
Provision of piped gas fuel business	71,323	64,396	6,927
Transportation, distribution & retail of bottled LPG business	7,973	887	7,086
Lottery agency sales business	(32,550)	(766)	(31,784)
Total	46,746	64,517	(17,771)
Re-measurement of interests in an associate to fair value on business combination	–	230,517	(230,517)
Other income & expenses (net)	(4,103)	(12,354)	8,251
Profit before tax	42,643	282,680	(240,037)

FINANCIAL REVIEW

Gross profit

During the reporting period, the Group achieved total gross profit generated from operating activities of approximately HK\$151,597,000, representing an increase of HK\$17,208,000 as compared to the corresponding period last year, while the overall gross profit margin was 25.1% (2011: 26.8%). The increase of gross profit was primarily due to the significant increase in both the sales of piped gas fuel and LPG and revenue generated from the construction of gas pipeline, as compared to the corresponding period last year. Following the optimisation of the Group's income structure, the sales of piped gas fuel and LPG that generating stable and longer term income stream was increased in 2012, instead of the one-off connection fee that generating higher profit margin. The proportion from sales of piped gas fuel in the provision of piped gas fuel was continuing to rise from 72.7% to 74.7% as compared to the corresponding period last year. The profit margin of sale of piped gas fuel was lower than that of connection fee that led to a dilution in overall gross profit margin. The contribution in the early stage of lottery agency sales business also caused gross margin pressure.

Segment results

Provision of piped gas fuel business – segment results for provision of piped gas fuel business increased by approximately HK\$6,927,000 (or 10.8%) over the corresponding period last year, mainly benefited from the increase in sales volume of piped gas fuel of 22%.

Transportation, distribution & retail of bottled LPG – results increased by approximately HK\$7,086,000 (or 798.9%) over the corresponding period last year was due to the continuous increase in market share. LPG sale volume increased by 30.7% over the corresponding period last year.

Lottery agency business – loss increased by approximately HK\$31,784,000 over the corresponding period last year was mainly due to the amortisation for an intangible asset – exclusive rights of operation of lottery sales of approximately HK\$19,583,000, and the initial contribution in the business.

Liquidity and capital resources

As at 30 September 2012, the Group's cash and cash equivalents amounted to approximately HK\$375,846,000 (31 March 2012: approximately HK\$349,734,000), and the total borrowings amounted to approximately HK\$299,136,000 (31 March 2012: approximately HK\$284,555,000). The debt-to-capitalisation ratio, representing the ratio of total borrowings to borrowings and equity attributable to owners of the Company, was 14.5% (31 March 2012: 14.0%).

As at 30 September 2012, the total assets of the Group was approximately HK\$2,795,656,000 (31 March 2012: approximately HK\$2,730,973,000), and current liabilities, non-current liabilities, equity attributable to owners of the Company and non-controlling interests amounted to approximately HK\$494,052,000 (31 March 2012: HK\$443,368,000), HK\$454,414,000 (31 March 2012: HK\$457,332,000), HK\$1,758,896,000 (31 March 2012: HK\$1,748,513,000) and HK\$88,294,000 (31 March 2012: HK\$81,760,000) respectively.

Borrowing structure

As at 30 September 2012, the total borrowings of the Group were approximately HK\$299,136,000 (31 March 2012: approximately HK\$284,555,000), which mainly comprised of 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\$249,146,000 (31 March 2012: approximately HK\$238,674,000) which were secured by certain assets with a carrying amount of approximately HK\$20,082,000 (31 March 2012: approximately HK\$20,374,000), others were unsecured. Short-term borrowings amounted to approximately HK\$82,334,000, while others were long-term borrowings due after one year.

Capital structure

The Group's long-term capital comprised equity attributable to owners of the Company and borrowings, which was recognised by the sound debt-to capitalisation ratio stated in the section headed "Liquidity and capital resources" above.

Exposure to foreign exchange risk

The Group carried out all of its businesses in the PRC and substantially all of its income and expenses are denominated in Renminbi. During the reporting period, the exchange rate of RMB had shown narrow range fluctuation. The Group will closely monitor the market exchange rates and make appropriate adjustment when necessary.

Capital commitments

As at 30 September 2012, the Group's capital commitments amounted to approximately HK\$189,734,000, mainly attributable to running district gas pipeline construction and the investment in Yongbaofu. Please refer to note 11.

Contingent liabilities

As at 30 September 2012, the Group had no material contingent liabilities.

PROSPECTS

Piped gas fuel business

During the year, the European sovereign debt crisis was spreading from Greece to other major countries, such as Spain. Due to the weakening momentum of the developed economies and the descending growth rate among the emerging countries, the revival of global economic growth faced tough challenges. The complicated and ever-changing external condition increased the risk of economic downturn in the PRC. However, the performance of the employment situation was tolerable. The inflationary pressure was soothed significantly, which led to the balance of international income and expense. Looking forward to the second half of the year, leveraging the marked progress in the “stable growth” pre-emptive fine-tuning policies and the stabilised property market, it is expected that the economy of the PRC will gradually rebound. In addition to the steady acceleration of industrialisation and urbanisation, the strong demand of energy resources in the PRC will be sustainable.

On 27 June 2012, the PRC government issued the “Twelfth Five-Year” Plan of National City Gas Development (the “Plan”). According to the Plan, during the Twelfth Five-Year, in order to promote healthy and stable development of the urban gas industry, China will insist on using natural gas in primary consumption, while LPG and manufactured coal gas will be the second choice. The other substitute gas will be regarded as supplements. Moreover, to facilitate energy saving and emission reduction, the research and development activities on technology and independent innovation will be enforced. By expanding the scope and depth of service in urban gas industry, the use of natural gas distributed energy and natural gas vehicles will be vigorously promoted, leading to an improvement in the consumption pattern, saving level and utilisation efficiency of energy.

In addition, the Plan also clearly suggests that by the end of the Twelfth Five-Year, the total supply capacity of urban gas will reach approximately 178.2 billion m³, representing an increase of 113% over the end of the Eleventh Five-Year, which includes supply capacity of natural gas of approximately 120.0 billion m³. In respect of gas consumption, by the end of the Twelfth Five-Year, the connected residential population will reach over 625 million, with a consumption level of 33.0 billion m³; the consumption by industrial, commercial and service providing enterprises will reach 81.0 billion m³ while the consumption by transportation and others will reach 64.2 billion m³. In respect of pipeline network, it is expected that there will be newly constructed pipelines of approximately 250,000 km in length in urban areas during the Twelfth Five-Year, resulting in a total length of 600,000 km by the end of which. Moreover, in respect of gas sources for emergency use and infrastructure construction, the gas storage ability for emergency use will be greatly enhanced by the end of the Twelfth Five-Year, leading to a total storage capacity of approximately 1.5 billion m³ for emergency use.

On 14 October 2012, National Development and Reform Commission issued the new “Policies on Natural Gas Utilisation” (the “Policies”), which classified natural gas users into four categories, namely encouraged users, permitted users, restricted users and prohibited users. The Policies suggested guaranteeing the priority of civil gas. Natural gas chemical and some of the natural gas generation projects were categorised as prohibited. The Policies also proposed to continue optimising the natural gas price mechanism by establishing and optimising a natural gas price linkage mechanism between upstream and downstream prices. It is encouraged to implement natural gas seasonal price differentiation system in areas which the range of using amount in different seasons is varied. The Policies explicitly encourage all the classes of local governments to implement supporting policies in respect of planning, land use, financing and charging in order to encourage natural gas industry to use project-related technologies and equipment in an autonomous way and to encourage and support the construction of natural gas refilling facilities for vehicles and vessels.

The Group will continue to aggressively develop its customer base and will further improve its income structure of piped gas business and reduce the burden of one-off connection fee income. Leveraging the great opportunities arising from the growth of natural gas industry in the PRC, the Group will put its ongoing effort on improving its service quality, strengthening its corporate management and exploring new markets, aiming to obtain more contributions to the consolidated beneficial result of its operation.

LPG business

LPG is advantaged with its less polluting, high heat, easy to transport, stabilised pressure, simple storage equipment and flexible supply. The low coverage level of natural gas pipeline network in Yunnan, Guizhou and southwest Hunan leads to the tight supply of natural gas in these regions. This creates an environment for the development of LPG. Since the Group’s commencement of LPG business, we have enhanced the transportation capacities and expanded the storage for LPG,

while maintaining stable and sufficient LPG supply. Furthermore, benefiting from its proactive exploration of new regions of business locations through merges and acquisitions, together with the acquisition of part of the equity interests in Southwest Panva and Yunnan Panva and the completion of the projects like Hongjiang Zhongmin, the Group's market share in the southwestern region of China will further increase. And our role in these regions has become increasingly important. Meanwhile, the Group has strengthened its retail market by intensively integrating its retailer networks among the existing LPG business regions, and optimising the allocation of resources. Thus, its ability to guard against market risk has been increased. In addition, the Group has also strived for the rapid growth of its LPG business, through the optimisation of corporate management and enhancement of its service quality.

In the future, the Group will continue to increase its contribution in LPG business by unifying the servicing pattern in retail markets, building and enhancing the Group's LPG brands, increasing its regional influence, and ultimately increasing its market share, so as to obtain greater contribution to the consolidated beneficial result of its operation.

Lottery business

According to the statistics published by the Ministry of Finance of China, the nationwide lottery sales in September was approximately RMB20.512 billion, representing an increase as compared to July and August, of which the welfare lottery sales increased by approximately 8.9%. As the enthusiasm for lottery betting among numerous lottery bettors has been rising, we believe that the lottery industry in the PRC will maintain its sustainable and rapid growth. Currently, Shenzhen Le Cai is proactively developing its business. The number of stores is increasing and the sales income is also growing continuously; the business of Shenzhen Jin Cai is also under preparation; also, in August 2012, the Group set up Cai Cai Le in Shenzhen. It will be engaged in the development of intelligent electronic game software technology and equipment. The Group will further explore its lottery market through the continuing increase of its investment in lottery business, expansion of lottery sales branches and network, urging for stronger promotion and enhancement of service standard. Meanwhile, the Group will spare no pain to continue its research and development on the new genres of lotteries, so as to meet the lottery bettors' needs. The Group will also expand the scale of lottery business by further extending its geographical coverage. We believe, grounded in the fast-growing and healthy development of lottery market in the PRC, the lottery business of the Group will surely continue its swift development. We also believe that the gross profit generated from lottery business will surely bring greater value to the Group.

Regarding the new market opportunities, the Group will secure the stable growth in the piped gas fuel business while vigorously developing the LPG business and proactively exploring the lottery market, thus achieving diversified developments of the Group's operation. Also, the Group will strive for better results that offer greater returns to all shareholders and investors.

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

For the six months ended 30 September 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the listing of Securities on the Stock Exchange (the "Listing Rules"), as announcement from time to time. During the period and up to the date of this announcement, the Company has complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules. 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.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the appropriateness and consistent application of significant accounting principles and policies as well as internal control adopted by the Group, and discussed judgmental issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial statements for the six months ended 30 September 2012.

As at the date of this announcement, the Board comprises seven Executive Directors, namely, Mr. Xu Ruixin (Honourable Chairman), Mr. Yang Songsheng (Chairman), Dr. Mo Shikang (Deputy Chairman), Mr. Zhang Hesheng (Deputy Chairman), Mr. Yeung Paak Ching (Co-managing Director), Mr. Jin Song (Co-managing Director) and Mr. Chu Kin Wang Peleus, and three Independent Non-executive Directors, namely, Dr. Liu Junmin, Mr. Tan Qinglian and Mr. Sin Ka Man.

By Order of the Board
Chinese People Holdings Company Limited
Jin Song
Co-managing and Executive Director

Beijing, 23 November 2012