CHINESE PEOPLE GAS HOLDINGS COMPANY LIMITED
中民燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 681)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

The board of directors (the "Directors") of Chinese People Gas Holdings Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2005, together with the comparative figures for the six months ended 30 September 2004 are as follows. The interim consolidated financial statements have not been audited but have been reviewed by the Company's independent auditors and audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six month ended 30 September 2005

		Six months ended	
		30.9.2005	30.9.2004
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*4*	**139,956**	1,732
Cost of sales		**(54,786)**	(1,698)
Gross profit		**85,170**	34
Other income	*5*	**15,152**	8,485
Administrative expenses		**(22,000)**	(4,681)
Finance costs		**(580)**	(226)
Share of results of associates		**476**	(758)
Share of result of a jointly controlled entity		**–**	(1)
Profit before taxation		**78,218**	2,853
Taxation	*7*	**(17,635)**	(96)
Profit for the period		**60,583**	2,757
Attributable to:			
Equity holders of the Company		**60,008**	2,758
Minority interests		**575**	(1)
		60,583	2,757
Earnings per share			
– basic	*8*	**2.30 cents**	0.11 cents
– diluted		**2.09 cents**	0.10 cents

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 september 2005

	30.9.2005	31.3.2005
	HK$'000	*HK$'000*
	(Unaudited)	(Audited and restated)
Non-current assets		
Property, plant and equipment	**223,779**	114,174
Prepaid lease payments	**8,659**	4,921
Goodwill	**47,177**	38,895
Interest in an associate	**3,352**	–
Available-for-sale investment	**190**	–
Investment in securities	**–**	190
	283,157	158,180

Current assets		
Inventories	**2,978**	1,366
Prepaid lease payments	**193**	103
Properties held for sale	**48,138**	48,138
Trade and other receivables	**45,285**	42,441
Pledged bank deposit	**–**	130
Bank balances and cash	**24,076**	9,993
	120,670	102,171
Current liabilities		
Trade and other payables	**106,146**	60,025
Provision for scheme debts	**–**	1,047
Taxation payable	**27,968**	10,812
Bank borrowings, secured – due within one year	**28,974**	9,922
	163,088	81,806
Net current (liabilities) assets	**(42,418)**	20,365
	240,739	178,545
Non-current liabilities		
Bank borrowings, secured – due after one year	**2,417**	11,085
Deferred tax liabilities	**61**	61
	2,478	11,146
	238,261	167,399
Capital and reserves		
Share capital	**183,030**	183,030
Reserves	**55,231**	(15,631)
	238,261	167,399

Note:

1. **BASIS OF PREPARATION**

The condensed financial statements 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 ("Stock Exchange") and the Hong Kong Accounting Standard (the "HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial report has been prepared on a going concern basis because the Company has issued convertible bonds of US$20,000,000 (equivalent to HK$155,600,000) on 28 October 2005. In the opinion of the directors, the Group has sufficient funds to meet its financial obligations in the foreseeable future, taking into account the proceeds from the issue of the convertible bonds.

2. **PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared on the historical cost convention except for certain financial instruments, which are measured at fair value.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business combinations

In the current period, the Group has applied the transitional provision of HKFRS 3 "Business Combinations" to goodwill acquired in business combinations for which the agreement date was before 1 January 2005. HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date for the period from 1 January 2005 to 31 March 2005. The principal effects of the application of the transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisition after 1 April 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the consolidated balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisition after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill").

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. The effect of the adoption of HKFRS 3 is set out in note 3.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial instruments: disclosure and presentation" and HKAS 39 "Financial instruments: recognition and measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The adoption of HKAS 32 did not have any financial impact to the Group. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of the Statement of Standard Accounting Practice 24 "Accounting for investments in securities" ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 April 2005 onwards, the Group classifies and measures its investment in securities in accordance with HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively except for unquoted equity investments for which fair values cannot be measured reliably, such investments are stated at cost less impairment. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified and measured its equity securities in accordance with the requirements of HKAS 39. As a result of the adoption of HKAS 39, the Group classified "investment in securities" recorded in the consolidated balance sheet at 1 April 2005 amounting to HK$ 190,000 as "available-for-sale investments". However, the adoption of HKAS 39 did not have material financial impact to the Group.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. These requirements of HKAS 39 did not have any material financial impact to the Group.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. All the leasehold interests in land of the Group have been classified as prepaid lease payments under operating leases.

Share-based payment

In the current period, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 April 2005. The effect on the adoption of HKFRS 2 for the current period is set out in note 3.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	*HK$'000*
Decrease in amortisation of goodwill	**2,055**	–
Recognition of share-based payment as expenses	**(6,877)**	–
Recognition of discount on acquisition of subsidiaries	**2,304**	–
Decrease in profit for the period	**(2,518)**	–

An analysis of the decrease in profit for the period by line items presented according to their function is as follows:

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	*HK$'000*
Increase in other income	**2,304**	–
Increase in administrative expenses	**(4,822)**	–
	(2,518)	–

The cumulative effects of the application of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	At 31 March 2005 HK$'000 (Originally stated)	Effect of HKAS 1 HK$'000	Effect of HKAS 17 HK$'000	At 31 March 2005 HK$'000 (Restated)	Effect of HKAS 39 HK$'000	At 1 April 2005 HK$'000 (Restated)
Balance sheet items affected:						
Property, plant and equipment	119,198	–	(5,024)	114,174	–	114,174
Prepaid lease payments – non-current	–	–	4,921	4,921	–	4,921
Goodwill	38,895	–	–	38,895	–	38,895
Investments in securities	190	–	–	190	(190)	–
Available-for-sale investments	–	–	–	–	190	190
Prepaid lease payments – current	–	–	103	103	–	103
Other assets and liabilities	9,116	–	–	9,116	–	9,116
Total effects on assets and liabilities	167,399	–	–	167,399	–	167,399
Share capital and other reserves	283,587	–	–	283,587	–	283,587
Share premium	30,856	–	–	30,856	–	30,856
Accumulated losses	(148,878)	–	–	(148,878)	–	(148,878)
Minority interests	–	1,834	–	1,834	–	1,834
Total effects on equity	165,565	1,834	–	167,399	–	167,399
Minority interests	1,834	(1,834)	–	–	–	–
	167,399	–	–	167,399	–	167,399

The financial effects of the application of the new HKFRSs to the Group's equity at 1 April 2004 are summarised below:

	As originally stated HK$'000	Effect of HKAS 1 HK$'000	As restated HK$'000
Share capital and other reserves	196,180	–	196,180
Share premium	9	–	9
Accumulated losses	(163,121)	–	(163,121)
Minority interests	–	274	274
Total effects on equity	33,068	274	33,342
Minority interests	274	(274)	–
	33,342	–	33,342

The Group has commenced considering the potential impact of the following new standards or interpretations that have been issued but are not yet effective. However, the Group is not yet in a position to determine whether these standards or interpretations would have a significant impact on how its results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 7	Financial instruments: disclosures
HK(IFRIC) – Int 4	Determining whether an arrangement contains a lease
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment

4. SEGMENTAL INFORMTION

Business segment

For management purposes the Group is currently organised into four operating divisions – sales of property, supply of natural gas, gas pipeline connection and glass product. These divisions are the basis on which the Group reports its primary segment information.

In prior period, the Group was organised into four operating divisions – building services (single-trade), packaged/design and build contracts, environmental engineering services and property holdings and investment. Upon the completion of disposal of the entire interest in Kenworth Group Limited on 30 April 2004, the business of building services (single-trade), packaged/design and build contracts and environmental engineering services were discontinued.

Summarised details of the business segments are as follows:

The following tables present turnover, profit and certain asset, liability and expenditure information for the Group's business segments.

	Sales of property		Supply of natural gas		Gas pipeline connection		Glass product		Discontinued operations: Building services (single-trade)		Discontinued operations: Packaged/ design and build contracts		Discontinued operations: Environmental engineering services		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**–**	–	**35,014**	–	**93,397**	–	**11,545**	–	**–**	309	**–**	414	**–**	1,009	**139,956**	1,732
Other income	**1,192**	997	**25**	–	**263**	–	**631**	–	**–**	–	**–**	–	**–**	5	**2,111**	1,002
	1,192	997	**35,039**	–	**93,660**	–	**12,176**	–	**–**	309	**–**	414	**–**	1,014	**142,067**	2,734
Segment results	**813**	922	**377**	–	**76,204**	–	**2,292**	–	**–**	(406)	**–**	(515)	**–**	(1,341)	**79,686**	(1,340)

Unallocated other income															**13,041**	7,483
Unallocated corporate expenses															**(14,405)**	(2,305)
Finance costs															**(580)**	(226)
Share of results of associates	**–**	–	**476**	(758)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**476**	(758)
Share of result of a jointly-controlled entity	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(1)	**–**	(1)
Profit before taxation															**78,218**	2,853
Taxation															**(17,635)**	(96)
Profit for the period															**60,583**	2,757

5. OTHER INCOME

Pursuant to a Scheme of Arrangement established in prior year pursuant to Section 166 of the Hong Kong Companies Ordinance ("Scheme"), the surplus fund of the Scheme of HK$10,140,000 was refunded to the Company. The amount is recognised as income because the Group did not have any further obligations to the creditors as upon the termination of the Scheme on 30 May 2005.

During the period, a discount on acquisition of a subsidiary of HK$2,304,000 is recognised as income.

6. DEPRECIATION

During the period, depreciation of HK$3,057,000 (HK$90,000 for the six months ended 30 September 2004) was provided in respect of the Group's property, plant and equipment.

7. TAXATION

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
People's Republic of China ("PRC") Enterprise Income Tax	**17,635**	96

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable profit derived in Hong Kong for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant law and regulations in the PRC, certain Company's PRC subsidiaries are entitled to exemption from PRC Enterprise Income Tax for two years commencing from their first profit-making year of operation and thereafter, they are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. During the period, Enterprise Income Tax for those PRC subsidiaries has been provided in the financial statements at the income tax rate ranging from 15% to 33% on the taxable profits.

8. EARNINGS PER SHARE

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	*HK$'000*
The calculation of basic and diluted earnings per share attributable to equity holders of the parent is based on the following data:		
Profit for the period attributable to equity holders of the Company	**60,008**	2,758
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,614,716**	2,435,208
Effect of dilutive potential ordinary shares:		
Share options	**262,180**	246,639
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,876,896**	2,681,847

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2005.

BUSINESS REVIEW

Natural Gas Business

Sales of Piped Natural Gas

Income from sales of piped natural gas has become one of the main sources of the Group's income since it underwent business transformation in the previous year. During this reporting period, the Group achieved natural gas sales of 48.70 million cubic meters, of which 5.39 million cubic meters sold to households and 43.31 million cubic meters sold to commercial and industrial customers, realizing sales income of HK$ 35.014 million, which accounted for 25.0% of the turnover of the reporting period.

Due to the monopolizing nature of natural gas distribution networks and the local governments' permit only one piped natural gas supplier to supply piped natural gas in a specified region, therefore all piped natural gas is supplied by the Group within the regions where the Group has set up natural gas distribution networks. With the increasing rate of gas utilization in cities, the sales of the Group's piped natural gas will increase steadily.

Natural Gas Pipeline Construction

The Group also engaged in construction of gas main pipelines and branches pipelines that connecting households in the cities and supplied piped natural gas to households through its natural gas distribution networks. Installation fee from customers for connecting gas pipelines is another income source of the Group. During the reporting period, the Group has completed installation work for 33,892 households and 3,768 commercial and industrial customers, and income from installation fees was HK$ 93.397

million, which accounted 66.7% of the Group's turnover for the reporting period. As at end of the reporting period, the accumulated number of customers that have connected to the Group's natural gas distribution networks was 59,806, of which 54,438 were households and 5,368 were commercial and industrial customers. With the increased number of customers and projects, the Group expects income from installation fees in the second half of the year and coming years to be substantial, and installation fees will continue to be the most important income source for the Group.

New Projects

During the reporting period, the Group secured five new natural gas projects, including:

– *The Han Wang Project*

On 31 July 2005, the Group acquired a 100% interest in Han Wang Natural Gas Company Limited (漢旺天然氣有限公司). The project is located in Han Wang Town, Mian Zhu City, Sichuan Province. Han Wang Town is one of the first 57 pilot towns under the National Integrated Reform Program and the key industrial zone of Mian Zhu City. The famous production base of steam turbine in China, Dongfang Steam Turbine Works (東方汽輪機廠) is located in Han Wang Town. Its consumption of gas for industrial purpose and household consumption of gas of its staff reside nearby will be the focus for our future development. Its total connectable population is 60,000 and the current gas utilization rate is 10% only.

– *The Bei Chuan Project*

On 31 July 2005, the Group acquired the natural gas assets in Bei Chuan County and established the Bei Chuan Chinese People Gas Company Limited (北川中民燃氣有限公司). Bei Chuan County is located in Mian Yang City, Sichuan Province and is in the northwest of Sichuan Basin. Enterprises of, for example, building material and processing industries are the major commercial users of natural gas in Bei Chuan County. Lei Gu Town (擂鼓鎮), which is 8 kilometres from Bei Chuan County, is constructing an industrial zone with an area of more than 400 acres. The industrial zone is striving to introduce high added-valued, low energy-consumption and advanced technology environmental friendly enterprises. These enterprises will help to promote the development of gas consumption in Bei Chuan County. The total connectable population of Bei Chuan County is 160,000 and the gas utilization rate at present is 2% only.

– *The Tong Nan Project*

On 1 August 2005, the Group acquired a 99% interest in Chongqing Tong Nan Tongfa Gas Co. Ltd. (重慶市潼南縣通發燃氣有限責任公司). Tong Nan County, which is located in the linked terrain of Sichuan and Chongqing, is the hometown of Mr. Yang Shang Kun, the Former President of the PRC. It is an important gateway for Chongqing to open to the outside world. The construction of a new city of 10 square kilometers which lies in the north side of Fu River (涪江) in Tong Nan County has found its basic structure. An attractive regional industrial and economic zone that can bring about stimulating effect to the region is under construction. As large number of industrial enterprises in Chongqing urban areas moving into the zone, it will greatly enhance the gas demand for industrial and commercial users and residential users, and the future of natural gas development in Tong Nan is promising. The total population of Tong Nan County is 920,000 and the current gas utilization rate is only 4%.

– *The Fu Ping Project*

On 5 August 2005, the Group acquired a 70% interest in Fu Ping Natural Gas Co. Ltd (富平縣天然氣有限責任公司). Fu Ping County is under Weinan City and is the forth largest county in Shaanxi Province. The population connectable to gas pipelines is 200,000 and the gas utilization rate is only 3%. The Zhuang Li Industrial Zone which located in the northwest of and 12 kilometers away from the county, is the foothold for the industrial development of Fu Ping County.

– *The Yongning Project*

On 24 August 2005, the Group acquired a 50% interest in Yongning Boneng Natural Gas Co. Ltd. (永寧縣博能天然氣有限公司). Yongning County is a suburb county to the south of Yinchuan City, the provincial capital of Ningxia, and a satellite city of Yinchuan City. Wang Yuan Town, which is approximately 10 kilometres north to Yongning County, is constructing an industrial zone which will become the largest production base of antibiotics in the Mainland as well as Asia. A new town area of county is under construction in the north of Yongning County, and the area of Yongning County will be enlarged by 2/3 and the city population will increase by 30,000 upon completion. The total population connectable to gas pipeline of Yongning County is 200,000 and the gas utilization rate is only 4%. As the role of Yongning County as a satellite city of Yinchuan City become increasingly prominent, the future development of natural gas will be of great potential.

With the above new natural gas projects, the operating income and results of the Group increased significantly during the reporting period. The foundation of natural gas business has been further solidified. The directors are confident that income from sales of piped gas and installation fees of these cities will continue to have a significant contribution to the results of the Group.

Property Holdings and Investment

The Group currently has the 24th, 27th and 28th floors of Zhongda Square with a total area of 3,632.2 square meters together with 19 parking spaces in Shanghai, as the reserve for property holdings and investment purpose. During the reporting period, this business contributed an operating profit of HK$813,000 to the results of the Group.

Glass Products

The Group, through Mian Zhu City Hong Sen Natural Gas Co., Ltd.(綿竹市紅森天然氣有限責任公司), indirectly owned 70% interests in Mian Zhu City Hongsen Glass Products Company Limited (綿竹市紅森玻璃製品有限公司). The company is primarily engaged in supplying glass products to the producer of the famous Chinese wine-"Jian Nan Chun". During the reporting period, such business contributed HK$11,545,000 to the Group's turnover and brought about operating profit of HK$2,292,000.

Employees

As at 30 September 2005, the Group had 491 employees, 489 of whom were based in the Mainland.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonus and share options are linked to individual performance as recognition of and reward for value creation.

Liquidity and Capital Resources

As at 30 September 2005, the Group had total assets of HK$403,827,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK$163,088,000, HK$2,478,000, HK$232,675,000 and HK$5,586,000, respectively.

The Group continued to maintain a low gearing ratio, at 1%. It was calculated based on the long term borrowings of HK$2,417,000 and long term capital of HK$232,675,000.

Capital Structure

The Group's long-term capital mainly comprised of shareholders' equity which is confirmed with the low gearing ratio as discussed in the section "Liquidity and capital resources" above.

Foreign Exchange Risk

The Group's receivables and payables were denominated mainly in US dollar, Hong Kong dollar and Renminbi. Since Hong Kong dollar is linked to US dollar, and Renminbi is relatively stable, we consider the exchange risk is not significant.

Capital Commitments

As at 30 September 2005, the Group had no significant capital commitments.

Contingent Liabilities

As at 30 September 2005, the Group had no significant contingent liabilities.

Post Balance Sheet Event

On 8 September 2005, the Company entered into a subscription agreement with an independent third party for the issue of US$20,000,000 (equivalent to approximately HK$155,600,000) 2% convertible bonds due 2008 ("Subscription Agreement"). Pursuant to the terms of the Subscription Agreement, the convertible bonds shall be redeemed by the Company at 100% of their principal amount at the third anniversary of the date of issue. Details of the terms of the convertible bonds was set out in the circular dated 12 October 2005 issued by the Company. The convertible bonds were issued on 28 October 2005.

PROSPECTS

Natural Gas Business

In recent years, as the economy in the Mainland has been developing at a high speed. The speed of civilization, especially in some small and medium cities, was especially high. There is an increasing need for energy in the market, especially there is a keen demand for different forms of energy. Meanwhile, as the Chinese government enhanced its awareness of environmental protection and sustainable development gradually, natural gas becomes an ideal energy for reducing environmental pollution and a supplement to shortage of petroleum supply. According to the forecast from Energy Study Institute of State Development and Reform Commission, the demand for natural gas in 2005 was approximately 48 billion cubic meters. Consumption of natural gas accounted for approximately 4% of one-off consumed energy, and the increasing speed for demand of natural gas will obviously outpace that of coal and petroleum in the next 20 years. By 2010, consumption of natural gas as a percentage of one-off consumed energy will be increased to approximately 6%, and to further increase to approximately 10% by 2020. The demand for natural gas will reach 93.8 billion cubic meters and 203.7 billion cubic meters respectively by that time. With the full completion of West to East Natural Gas Pipeline Project and the implementation of specific projects like Natural Gas Supply from Sichuan to Eastern Part of China, Shaanxi to Beijing Gas Supply, East Ocean Gas Supply Onshore, Importation of Liquefied Natural Gas (LNG) for Southern China, and the construction work of Russia Gas Supply to China to commence, natural gas market will develop rapidly all over the country. The Directors believed that there is a huge room for future development of natural gas business.

In February, 2005, the State Council issued the State Council's Certain Opinion about Encouraging , Supporting and Guiding the Development of Privately-Owned Non State-Owned Economy (國務院關於鼓勵支持和引導個體私營等非公有制經濟發展的若干意見)，which permitted non state-owned capital invest into the utilities industries, including supply of natural gas in the cities, and support non state-owned capital actively participate in the investment, construction and operation of municipal public utilities businesses, such as supply of gas in cities and towns.

Looking forward, under the backdrop of rapid development of natural gas market and the favorable policies implemented by the central government, the Group will enhance its investment in city gas supply and integrate its effort in this area, which will bring more benefits and enhance return to shareholders.

Property Holdings and Investment

In recent years, China's economy was developing rapidly, especially in Shanghai. Directors believed that the property holdings and investment in Zhongda Square, Shanghai will bring substantial cash inflow to the Group in next few years.

Lottery Operating System Supply and Ancillary Services

On 14 October, 2005, the Group entered into an agreement with an independent third party , pursuant to which the Group proposed to invest RMB15,000,000, representing 30% interest ,into Chinese People On Line Technology Development Limited ("Chinese People On Line") (中民在線(北京)科技發展有限公司). The capital contribution into the joint venture which intended to operate lottery pooling system supply and ancillary services business will involve the operation of video lottery business (福利視頻彩票業務) in the Mainland. Chinese People On Line has submitted the test-run application to the relevant government authority Chinese Benefit Lottery Issue Center (中國福利彩票發行中心) regarding the supply lottery pooling system and ancillary services business to the Hainan Province real time on-line pooling project which is co-developed by Chinese Benefit Lottery Issue Center and Hainan Province Benefit Lottery Issue Center (海南省福利彩票發行中心).

Real time on-line pooling is under the supervision of the PRC government authority and is for the purposes of public welfares. Since the official lottery issue in 1987, the sales of lottery in the Mainland has increased by 1000 times in more than 10 years. Up to October 2005, the sales of lottery the Mainland for the year was over RMB54 billion. It is expected that at the end of 2005, the sales of lottery market in the Mainland will reach approximately RMB65 billion. In view of the continuous economic development in China that stimulates the consumption power of the Chinese citizens, the Directors expected that lottery market in the Mainland will develop rapidly and bring about huge demand for the lottery pooling system which Chinese People On Line proposed to engaged in. Once the application being approved by the relevant authority, the lottery pooling system will bring sizable profit and cash flow to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Mr. Liu Junmin, Mr. Tan Qinglian and Mr. Wong Shing Kay, Oliver. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2005.

REMUNERATION COMMITTEE

The Company has a remuneration committee which was established in accordance with the requirements of the Code for the purpose of reviewing the remuneration committee currently comprises two executive Directors, namely Mr. Mo Shikang and Mr. Zhang Hesheng and the three independent non-executive Directors, namely Mr. Liu Junmin, Mr. Tan Qinglian and Mr. Wong Shing Kay, Oliver.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, with the following deviations:

Code Provisions A.4.1

Under Code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive directors are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Code Provisions A.4.2

Under Code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To comply with the code provision, relevant amendments to the Company's Articles of Association were proposed and approved by the shareholders at the Company's annual general meeting held on 15 September 2005. Under the Company's existing Articles of Association, every director, including those appointed for a specific terms, should be subject to retirement by rotation at least once every three years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors on terms no less exactly than the required standard set out in the Model Code. Having made specific enquiry of the Directors, none of the Directors has not complied with, for any part of the accounting period under review, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

By Order of the board of
Mo Shikang
Managing Director

Hong Kong, 23 December 2005

As at the date of this announcement, the executive Directors of the Company are Mr. Xu Ruixin, Mr. Liu Jing, Mr. Mo Shikang, Mr. Zhu Peifeng, Mr. Zhang Heshang, Mr. Jin Song and Mr. Yan Wing Cheung and the independent non-executive Directors are Mr. Liu Junmin, Mr. Tan Qinglian and Mr. Wong Shing Kay, Oliver.

Please also refer to the published version of this announcement in The Standard.