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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 2010**

**HIGHLIGHTS**

- Revenue increased by 16.0% to approximately HK\$339.5 million.
- The Group recorded a loss attributable to owners of the Company of approximately HK\$52.2 million as compared to the profit for the corresponding period in 2009 due to (1) loss of HK\$64.4 million recognised upon the disposal of available-for-sale financial assets and (2) the gain on disposal of Fujian Anran of approximately HK\$220.8 million in 2009 which is non-recurring in nature and no such income was recorded during this reporting period.
- Excluding the non-recurring items, the net profit of the Group is HK\$19.4 million as compared with HK\$19.3 million for the corresponding period in 2009.
- As at 30 September 2010, total assets of the Group was approximately HK\$1,615.4 million, increased by 9.0% as compared to that as at 31 March 2010.

**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 2010, together with the unaudited comparative figures for the corresponding period in 2009. These interim financial information have not been audited, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

\* *For identification purposes only*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2010</b>	2009
		<b>(unaudited)</b>	(unaudited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	3	<b>339,462</b>	292,730
Cost of sales		<b>(262,552)</b>	(215,301)
Gross profit		<b>76,910</b>	77,429
Other operating income		<b>4,226</b>	4,719
Administrative expenses		<b>(58,605)</b>	(55,802)
Change in fair value of convertible notes		–	(2,118)
Gain on disposal of subsidiaries		–	220,781
Equity-settled share-based payments		<b>(2,952)</b>	–
Loss on disposal of available-for-sale financial assets		<b>(64,426)</b>	–
Share of results of associates		<b>(59)</b>	(642)
Finance costs		<b>(3,096)</b>	(4,243)
(Loss)/profit before taxation	4	<b>(48,002)</b>	240,124
Income tax expense	5	<b>(4,161)</b>	(2,915)
(Loss)/profit for the period		<b>(52,163)</b>	237,209
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations		<b>14,876</b>	1,835
Change in fair value on available-for-sale financial assets		<b>(1,937)</b>	15,765
Reclassification adjustment for disposal of available-for-sale financial assets included in profit or loss		<b>64,348</b>	–
Other comprehensive income for the period		<b>77,287</b>	17,600
Total comprehensive income for the period		<b>25,124</b>	254,809

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2010</b>	2009
		<b>(unaudited)</b>	(unaudited)
<i>Notes</i>		<b>HK\$'000</b>	<i>HK\$'000</i>
(Loss)/profit attributable to:			
Owners of the Company		<b>(54,423)</b>	232,731
Non-controlling interests		<b>2,260</b>	4,478
		<b><u>(52,163)</u></b>	<b><u>237,209</u></b>
Total comprehensive income attributable to:			
Owners of the Company		<b>22,864</b>	250,331
Non-controlling interests		<b>2,260</b>	4,478
		<b><u>25,124</u></b>	<b><u>254,809</u></b>
		<i>HK Cents</i>	<i>HK Cents</i>
(Loss)/earnings per share	7		
– basic		<b><u>(1.33)</u></b>	<b><u>5.70</u></b>
– diluted		<b><u>n/a</u></b>	<b><u>n/a</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

		<b>30 September 2010 (unaudited) HK\$'000</b>	31 March 2010 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		<b>691,782</b>	635,370
Investment properties		<b>7,204</b>	7,024
Prepaid lease payments		<b>29,938</b>	29,493
Goodwill		<b>94,087</b>	93,113
Intangible assets		<b>101,547</b>	101,983
Interests in associates		<b>88,078</b>	63,647
Available-for-sale financial assets		<b>6,605</b>	38,567
Deposit paid on acquisition of property, plant and equipment		<b>4,988</b>	4,891
		<u><b>1,024,229</b></u>	<u>974,088</u>
Current assets			
Inventories		<b>31,147</b>	26,843
Trade and other receivables	8	<b>127,966</b>	91,569
Other loan to a shareholder of an associate		<b>43,050</b>	41,000
Amount due from a joint venturer		<b>23,699</b>	23,298
Prepaid lease payments		<b>840</b>	699
Pledged bank deposits		<b>7,761</b>	8,076
Bank balances and cash		<b>356,676</b>	316,191
		<u><b>591,139</b></u>	<u>507,676</u>
Current liabilities			
Trade and other payables	9	<b>291,431</b>	203,283
Tax liabilities		<b>49,153</b>	57,022
Amounts due to associates		<b>11,614</b>	11,389
Bank borrowings—due within one year		<b>59,769</b>	92,663
		<u><b>411,967</b></u>	<u>364,357</u>
Net current assets		<u><b>179,172</b></u>	<u>143,319</u>
Total assets less current liabilities		<u><b>1,203,401</b></u>	<u>1,117,407</u>

	<b>30 September 2010 (unaudited) HK\$'000</b>	31 March 2010 (audited) HK\$'000
Capital and reserves		
Share capital	<b>285,756</b>	285,756
Reserves	<b>668,666</b>	642,850
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Equity attributable to owners of the Company	<b>954,422</b>	928,606
Non-controlling interests	<b>65,650</b>	64,041
	<hr/>	<hr/>
Total equity	<b>1,020,072</b>	992,647
	<hr/>	<hr/>
Non-current liabilities		
Bank borrowings – due after one year	<b>168,965</b>	110,407
Deferred tax liabilities	<b>14,364</b>	14,353
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	<b>183,329</b>	124,760
	<hr/>	<hr/>
	<b>1,203,401</b>	1,117,407
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## NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2010

### 1 BASIS OF PRESENTATION

The interim financial information 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”).

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2009-2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010-2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the 2009-2010 annual financial statements. The interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The financial information relating to the financial year ended 31 March 2010 that is included in the interim financial information as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2010 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in its report dated 23 July 2010.

### 2 IMPACT OF NEW AND REVISED HKFRSs (WHICH ALSO INCLUDE HKASs AND INTERPRETATIONS)

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2010, except for the adoption of the new standards and interpretations as noted below.

HKFRS 1(Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>

HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HKAS 39 Amendment	<i>Amendments to HKAS 39 Financial Instruments: Recognition and Measurement– Eligible Hedged Items</i>
Annual Improvements Project	<i>Improvements to HKFRSs 2009</i>
HK Interpretation 4	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim financial information.

### **3 SEGMENT INFORMATION**

For management purposes, the Group is currently organised into two operating divisions, and has two reportable operating segments as follows – provision of piped gas fuel and transportation, distribution and retail of bottled LPG.

Provision of piped gas fuel – construction of gas pipeline networks, provision of piped natural gas and LPG

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.

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

**For the six months ended 30 September**

	<b>Provision of piped gas fuel</b>		<b>Transportation, distribution and retail of bottled LPG</b>		<b>Consolidated</b>	
	<b>2010</b>	2009	<b>2010</b>	2009	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	<u>229,774</u>	<u>171,242</u>	<u>109,688</u>	<u>121,488</u>	<u>339,462</u>	<u>292,730</u>
Segment profit	<u>25,180</u>	<u>246,069</u>	<u>4,164</u>	<u>7,369</u>	<u>29,344</u>	253,438
Unallocated income					4,226	4,719
Unallocated corporate expenses					(11,039)	(11,030)
Loss on fair value changes of convertible notes					-	(2,118)
Loss on disposal of available-for-sale financial assets					(64,426)	-
Equity-settled share-based payments					(2,952)	-
Share of results of associates					(59)	(642)
Finance costs					<u>(3,096)</u>	<u>(4,243)</u>
(Loss)/profit before taxation					<u><u>(48,002)</u></u>	<u><u>240,124</u></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 fair value changes of convertible notes, loss on disposal of available-for-sale financial assets, equity-settled share-based payments, share of results of associates and finance costs. This is the measure reported to chief operation decision makers for the purposes of resource allocation and performance assessment.



#### 4 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging and (crediting) the following:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation and amortisation:		
Intangible assets	2,415	2,374
Prepaid lease payments	586	600
Property, plant and equipment	<u>11,878</u>	<u>10,942</u>
	<u>14,879</u>	<u>13,916</u>
Total staff costs including Directors' emoluments:		
Salaries, wages, allowance and benefits in kind	24,805	25,580
Retirement benefits scheme contribution	1,743	1,485
Equity-settled share-based payment expenses	<u>2,952</u>	<u>–</u>
	<u>29,500</u>	<u>27,065</u>
Loss/(gain) on disposal of property, plant and equipment	<u>90</u>	<u>(195)</u>

#### 5 INCOME TAX EXPENSE

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax</b>		
Provision for PRC Enterprise Income Tax for the period	4,563	5,367
Overprovision in previous years	–	(2,138)
<b>Deferred tax</b>		
Credit for the period	<u>(402)</u>	<u>(314)</u>
	<u>4,161</u>	<u>2,915</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.

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% from 1 January 2008 onwards except for entities that are entitled to different concessionary tax rates as disclosed below.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are entitled to an exemption from PRC Enterprise Income Tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years (“2+3” tax preference).

The PRC Enterprise Income Tax rates applicable to these subsidiaries range from 15% to 25% (2010: 15% to 25%) and the reduced tax rates for the relief period range from 7.5% to 12.5% (2010: 7.5% to 12.5%). The charge of PRC Enterprise Income Tax for the periods have been provided for after taking these tax incentives into account. The tax benefit will expire during the period from year 2008 to 2012.

On 26 December 2007, the State Council of the PRC issued a circular on the implementation of transitional preferential policies for the PRC Enterprise Income Tax. Entities that are currently entitled to preferential tax rates under the old PRC EIT Law can gradually transit to the new tax rate of 25% within 5 years after the enforcement of the new PRC EIT Law at a tax rate of 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012 respectively. Entities that originally enjoy the “2+3” tax preference can continue enjoying the tax preference based on the original tax rate until after the expiration of the tax preference. Entities that did not start “2+3” tax preference before 2008 because they were still in loss position shall start the “2+3” tax preference from 2008. According to the EIT Law, the profit of the PRC subsidiary of the Company derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profit to foreign investors incorporated in Hong Kong, or at a rate of 10% for other foreign investors. The Group determined that no deferred tax on withholding tax liabilities shall be recognised since no significant distributable profit was derived by the PRC subsidiary from 1 January 2008.

## **6 DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: nil).

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

## **7 (LOSS)/EARNINGS PER SHARE**

### **(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK\$54,423,000 (2009: profit of HK\$232,731,000) and the weighted average number of shares in issue during the period of 4,082,224,554 (2009: 4,082,224,554) during the period.

**(b) Dilutive earnings per share**

There was no potential dilutive ordinary shares in existence for the six months ended 30 September 2010 and 2009, accordingly, no diluted earnings per share amount has been presented.

**8 TRADE AND OTHER RECEIVABLES**

	<b>30 September 2010 HK\$'000</b>	31 March 2010 HK\$'000
Trade and bill receivables	<b>31,907</b>	29,814
Less: Impairment loss recognised in respect of trade and bill receivables	<u>(228)</u>	<u>(805)</u>
	<u><b>31,679</b></u>	<u>29,009</u>
Other receivables	<b>118,958</b>	86,111
Less: Impairment loss recognised in respect of other receivables	<u>(22,671)</u>	<u>(23,551)</u>
	<u><b>96,287</b></u>	<u>62,560</u>
Total	<u><b>127,966</b></u>	<u>91,569</u>

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers, and extending to 180 days for major customers.

(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:

	<b>30 September 2010 HK\$'000</b>	31 March 2010 HK\$'000
Current to 90 days	<b>18,993</b>	18,711
91 to 180 days	<b>2,742</b>	6,921
Over 180 days	<u><b>9,944</b></u>	<u>3,377</u>
	<u><b>31,679</b></u>	<u>29,009</u>

- (b) The movement in the impairment loss recognised in respect of trade and bill receivables are as follow:

	<b>30 September</b>	31 March
	<b>2010</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at the beginning of the period/year	<b>805</b>	733
Impairment loss recognised	–	105
Reversal of impairment loss recognised in previous years	–	(33)
Amount written-off as uncollectible	<b>(594)</b>	–
Exchange realignment	<b>17</b>	–
	<hr/>	<hr/>
Balance at the end of the period/year	<b><u>228</u></b>	<b><u>805</u></b>

- (c) Before accepting any new customer, the Group uses a system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed on a regular basis. Minimal amount of the trade receivables that are neither past due nor impaired have the best credit under the credit system used by the Group.

At 30 September 2010, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK\$9,944,000 (31 March 2010: HK\$3,377,000) which are past due at the reporting date and aged over 180 days for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the impairment loss recognised are individually impaired trade receivables with an aggregate balance of approximately HK\$228,000 (31 March 2010: HK\$805,000) over which the Group does not hold any collateral. The individually impaired receivables mainly related to debtors that are in unexpected financial difficulty or of poor credit history.

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

	<b>30 September</b>	31 March
	<b>2010</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from a former associate	<b>3,485</b>	3,418
Interest receivable from a shareholder of an associate	<b>837</b>	1,820
Amount due from jointly controlled entities	<b>1,708</b>	1,773
Prepayments	<b>10,452</b>	7,842
Deposit paid/payment in advance to suppliers	<b>72,785</b>	40,196
Others	<b>7,020</b>	7,511
	<u><b>96,287</b></u>	<u>62,560</u>

The movement in the impairment loss recognised in respect of other receivables is as follows:

	<b>30 September</b>	31 March
	<b>2010</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at the beginning of the period/year	<b>23,551</b>	3,471
Impairment loss recognised	–	20,429
Reversal of impairment loss recognised in previous years	–	(398)
Amount written-off as uncollectible	<b>(126)</b>	–
Exchange realignment	<b>(754)</b>	49
	<u><b>22,671</b></u>	<u>23,551</u>

Included in the impairment loss recognised are individually impaired other receivables with an aggregate balance of approximately HK\$22,671,000 (At 31 March 2010: HK\$23,551,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history.

9 TRADE AND OTHER PAYABLES

	<b>30 September</b>	31 March
	<b>2010</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables, falling due in:		
0 – 3 months	<b>42,860</b>	34,141
4 – 6 months	<b>13,910</b>	6,964
Over 6 months	<b>15,937</b>	11,849
	<hr/>	<hr/>
Trade payables	<b>72,707</b>	52,954
Deposits received from customers ( <i>note (i)</i> )	<b>131,687</b>	90,547
Dividend payable to non-controlling interests	<b>1,220</b>	–
Customers gas deposits and other deposits received	<b>8,072</b>	9,864
Gas fuel income received in advance	<b>21,173</b>	16,621
Other payables for the purchase of property, plant and equipment	<b>133</b>	1,824
Other loans ( <i>note (ii)</i> )	<b>29,043</b>	5,876
Accrued charges and other payables	<b>27,396</b>	25,597
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	<b>291,431</b>	203,283
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*Notes:*

- (i) Deposits received from customers represent the gas pipeline connection fee received but the pipelines have not yet been completed.
- (ii) Including in other loans is amount of HK\$5,809,000 which is unsecured, interest bearing at rate of 5.54% per annum and repayable within one year. The remaining balance is unsecured, interest free and repayable on demand.

## 10 COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for were as follows:

	<b>30 September 2010 HK\$'000</b>	31 March 2010 HK\$'000
Capital commitment in respect of investment in an associate	–	22,784
Capital expenditure in respect of the acquisition of property, plant and equipment	<u>23,146</u>	<u>5,126</u>
	<u><b>23,146</b></u>	<u><b>27,910</b></u>

## 11 COMPARATIVE FIGURES

Certain comparative figures for the six months ended 30 September 2009 had been revised due to the adoption of HKAS 31“Interest in Joint Ventures”. For further details, please refer to the Company’s announcement dated 23 July 2010.

## **BUSINESS REVIEW**

### **PROVISION OF PIPED GAS FUEL BUSINESS**

Throughout the years, the Group has been committed to the construction and maintenance of the gas pipeline network in Fujian Province and Western China (including Shaanxi and Sichuan Provinces and Chongqing City), so as to provide household and commercial & industrial customers in those areas with piped gas fuel. The rapid-growth momentum has been maintained since the beginning of the business. In particular, the chronic problem on gas resources, which impeded the development of natural gas in Fujian Province, has been greatly resolved upon the completion and operation of Phase I of Fujian Liquefied Natural Gas (LNG) Project. This provides an advantageous opportunity for the Group to expand the customer base and increase its market shares, promoting the Group's piped gas fuel business and leading to faster business growth.

During the reporting period, the Group achieved piped gas fuel sales of 97.85 million cubic meters ("m<sup>3</sup>") in total, representing a growth of 35.8% over the corresponding period last year. Among the total sales, 16.65 million m<sup>3</sup> of gas fuel were made to household customers and this represented a growth of 33.5% over the corresponding period last year; and 81.20 million m<sup>3</sup> of gas fuel were made to commercial & industrial customers, a growth of 36.3% over the corresponding period last year.

During the reporting period, the Group had an addition of 43,908 household customers and 675 commercial & industrial customers, raised up 244.9% and 603.1% respectively as compared to the corresponding period last year. As at 30 September 2010, the Group had an accumulated number of connected customers of 330,370, which included 327,218 household customers and 3,152 commercial & industrial customers.

During the reporting period, the Group recorded a turnover of approximately HK\$229,774,000 from the provision of piped gas fuel, representing an increase of 34.2% over the corresponding period last year. Turnover from the provision of piped gas fuel accounted for 67.7% of the turnover of the Group for the reporting period.

### **TRANSPORTATION, DISTRIBUTION AND RETAIL OF BOTTLED LIQUEFIED PETROLEUM GAS ("LPG") BUSINESS**

In 2007, the Group commenced its business of transportation, distribution, and retailing of bottled LPG, penetrating into Yunan and Hunan Provinces in Western China. Experienced four years of development and accumulation, the Group has taken up certain market shares in those regions, establishing relatively influential market presence. The Group has always been exploring LPG gas source and strengthening its own transportation capability, so as to lower the costs of purchase and transportation. By expanding our sales network coverage in the terminal market, building a unified customer service system and enhancing the quality of service, more users are attracted to subscribe our LPG, resulted in its increasing market shares and influentially.



During the reporting period, sales of LPG by the Group recorded 17,739 tons in total, representing a decrease of 35.9% over the corresponding period last year. The Group realised an income from sales of LPG of approximately HK\$109,688,000, representing a decrease of 9.7% over the corresponding period last year. The decrease in sales of LPG is mainly due to the temperate adjustments of production and sales planning by the upstream LPG suppliers, which led to the lack of LPG gas supply and resulted in a significant decline in the sales of LPG of the Group. The gross profit margin of LPG remains in between 15% and 17%. During the same period, revenue arising from transportation, distribution and retailing of bottled LPG accounts for 32.3% of the turnover.

## **LOTTERY AGENCY AND EQUIPMENT SUPPLY BUSINESS**

In December 2008, the Group has invested in the setting up of an associate, Shenzhen Yongheng Lecai Technology Development Company Limited (“Yongheng Lecai”), in Shenzhen. 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), R&D and manufacturing of video lottery machines (license for manufacturing site to be applied separately), sales of computer welfare lottery “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). As of the date of this announcement, the Group yet to commence its lottery business.

## **NEW PROJECTS DURING THE REPORTING PERIOD/IMPORTANT MATTERS**

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

During the reporting period, 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 Xupu Zhongmin**

In September 2010, Huaihua Zhongmin Gas Co. Ltd. (“Huaihua Zhongmin”), a subsidiary of 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 Huaihua Zhongmin (representing 51% of equity interest in Xupu Zhongmin). The operation scope of Xupu Zhongmin involves wholesale and retail of LPG and gas fuel equipment.

## **Capital Injection to Yongheng Lecai**

On 2 April 2010, Beijing Zhongmin Gas Co., Ltd. (“Beijing Zhongmin”), a subsidiary of the Group, injected a further RMB20,000,000 (approximately HK\$23,234,000) to the capital of Yongheng Lecai on a pro-rata basis, and owned 40% interest. After such injection, the paid up capital of Yongheng Lecai increased to RMB125 million (approximately HK\$145 million). The proceeds will be applied to invest in the establishment and development of the research and production bases of lottery software and technology for Asia in Shenzhen, as well as the business in relation to the agency and distribution of national welfare lotteries.

## **BUSINESS DISPOSED**

### **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 consideration of HK\$30,152,000. 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 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 as a reclassification adjustment, resulting in loss of approximately HK\$64,426,000 was recorded.

## FINANCIAL REVIEW

Items	For the six months ended		Changes
	30 September		
	2010	2009	
	HK\$'000	HK\$'000	HK\$'000
<b>Turnover:</b>			
Provision of piped gas fuel business	229,774	171,242	58,532
Transportation, distribution and retail of bottled LPG businesses	109,688	121,488	(11,800)
Total	<u>339,462</u>	<u>292,730</u>	<u>46,732</u>
<b>Segment results:</b>			
Provision of piped gas fuel business <sup>1</sup>	25,180	246,069	(220,889)
Transportation, distribution and retail of bottled LPG businesses	4,164	7,369	(3,205)
Total	<u>29,344</u>	<u>253,438</u>	<u>(224,094)</u>
<b>(Loss)/profit before taxation</b>	<b>(48,002)</b>	240,124	<b>(288,126)</b>
Adjustments for:			
Equity-settled share-based payments	2,952	–	2,952
Gain on disposal of subsidiaries	–	(220,781)	220,781
Loss on disposal of available-for-sale financial assets	64,426	–	64,426
<b>Profit after adjustments for non-recurrent items</b>	<b><u>19,376</u></b>	<b><u>19,343</u></b>	<b><u>33</u></b>

<sup>1</sup> including gain on disposal of subsidiaries of approximately HK\$220,781,000 in 2009, if exclude such non-recurring item, the amount is HK\$25,288,000 and actual net decrease is approximately HK\$108,000.

## **FINANCIAL REVIEW**

### **GROSS PROFIT**

During the reporting period, the Group's business realised a gross profit of HK\$76,910,000, representing a decrease of 0.7% compared with the corresponding period last year. The overall gross profit margin was 22.7% (2009: 26.5%), representing a decrease of 3.8% compared with the corresponding period last year. Drop in the overall gross profit was mainly caused by the retail price adjustments impeded. With state reforms implemented for the natural gas pricing system in 2010, both the price of natural gas transmission and the benchmark price of oil and gas fields (or terminals) climbed upwards. However, due to time required for approval of raising the price of natural gas for household use, the price adjustment takes a longer time which to some extent impedes new retail price. Therefore, gross profit are caused to decline in the businesses in relation with piped gas fuel, and transportation, distribution, and retailing of bottled LPG. The local government where the Group operates is now convening hearings in preparation for raising the price of natural gas for household use, while the price adjustment by natural gas terminals from different locations exceeds the average increase level by all oil and gas fields. Therefore, the Group believes the price impediment will be resolved in the second half year.

### **LIQUIDITY AND CAPITAL RESOURCES**

As at 30 September 2010, the Group's cash and cash equivalents amounted to approximately HK\$356,676,000 (31 March 2010: approximately HK\$316,191,000), and the total borrowings were equivalent to approximately HK\$257,777,000 (31 March 2010: approximately HK\$208,946,000). The debt-to-capitalisation ratio, representing the ratio of total borrowings to borrowings and owners' equity, was 21.3% (31 March 2010:18.3%).

As at 30 September 2010, the total assets of the Group was approximately HK\$1,615,368,000, and current liabilities, long-term liabilities, owners' equity and non-controlling interests amounted to approximately HK\$411,967,000, HK\$183,329,000, HK\$954,422,000 and HK\$65,650,000 respectively.

### **BORROWING STRUCTURE**

As at 30 September 2010, the total borrowings of the Group were approximately HK\$257,777,000 (31 March 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\$198,588,000 which were secured by certain assets with a carrying amount of approximately HK\$39,296,000, others were unsecured. Short-term borrowings amounted to approximately HK\$88,812,000, 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 income and expenses are denominated in RMB. During the reporting period, the exchange rate of RMB had shown appreciation. The Group will closely monitor the market exchange rates and make appropriate adjustment when necessary.

## **EVENT AFTER THE REPORTING PERIOD**

Pursuant to a cooperative agreement ("Cooperative Agreement") between Beijing Zhongmin dated 18 November 2010, Yongheng Development Group (Shenzhen) Company Limited, a company directly interested in 60% of an associate company of the Group, and independent third parties for the 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 will be RMB380,000,000 (equivalent to approximately HK\$442,548,000), of which RMB133,000,000 (35%) will be contributed by Beijing Zhongmin. It is intended that Zhonghua Yongbaofu will be engaged principally in the provision of public assistance insurance, personal medical insurance, employment insurance and specific personal insurance to the disabled in the PRC.

As Zhonghua Yongbaofu will involve insurance business, the Directors consider that the Cooperative Agreement represents an opportunity to the Group (i) in investing in the insurance market in the PRC and to capture the opportunities under the rapid development of insurance industry in the PRC and (ii) diversify its business development. For further details, please refer to the Company's announcement dated 25 November 2010.

## **PROSPECTS**

### **PROVISION OF PIPED GAS FUEL BUSINESS**

In the post-financial crisis period, The economic development of PRC continues to be relatively fast pacing while the global economies are still in constant recession. During the first three quarters of 2010, the realisation of GDP amounted to RMB26,866 billion, representing an increase of 10.6% compared with the corresponding period last year. The swift economic development boosts steadfast growth in the energy consumption.

State reforms on the natural gas pricing plan have been underway since 2010, thus causing gradual price adjustment in natural gas. In April 2010, the National Development and Reform Commission promulgated “the Notice on the Adjustment of Price of Natural Gas Pipeline Transmission”, which raised the tariff of pipeline-transmitted natural gas by RMB0.08 per m<sup>3</sup> with effect from 25 April 2010. On 31 May 2010, the National Development and Reform Commission promulgated “the Notice on Raising the Benchmark Price of Natural Gas Produced by Domestic Onshore Fields”, which raised the benchmark price of natural gas delivered by oil and gas fields (or terminals) by RMB230 per thousand m<sup>3</sup>. After the issue of such notice, various metropolitan cities, such as Beijing and Zhengzhou, witness upward adjustment in the price of natural gas for industrial and commercial use. On the other hand, other cities and places will convene hearings in preparation for raising the price of natural gas for household use, while the price adjustment by natural gas terminals from different locations exceeds the average increase level by all oil and gas fields.

2011 is the first year for PRC to execute the plan of “Twelfth Five Years”, allowing energy conservation and emission reduction and environment-friendly economy will be the leading trend for the future development of PRC. Natural gas, being one of the environment-friendly energy, will continuously leapfrog in the next five years and gradually increases its proportion in the one-off energy consumption in PRC. In the coming years, provision of natural gas in PRC will be secured due to full production of natural gas pipeline in the Sino-Asia region, gas pipeline operations of Sino-Russian and Sino-Burma, and increasing capacity of coastal LNG supply. The Group will effectively exploit the great opportunity arising from PRC’s development of natural gas in bid to propel further development in the Group’s piped gas fuel business.

## **TRANSPORTATION, DISTRIBUTION AND RETAIL OF BOTTLED LPG BUSINESS**

LPG is advantaged in its easy-to-transport and user-friendly nature, allowing itself to establish its vast presence in cities and rural areas in PRC where either are short for supply of natural gas or experience difficulties in construction and maintenance of natural gas pipeline network. Meanwhile, LPG enjoys higher level of marketization and fluctuation in price with a diverse group of operators, which creates numerous challenges to constant operation of market players. Since the inception of LPG business, the Group has been seeking the sufficiently stable upstream gas source while improving its transportation capacity of LPG. Such actions secure constant and timely supply for the downstream market. With aggressive expansion to LPG retail market in recent years, the Group strengthens its ability to hedge market risks with the joined support from the upstream, midstream, and downstream sources.

In the coming years, the Group will increasingly participate in the LPG market to secure larger market share through the unified service model in the retail market, enhanced service quality, and stronger brand effect.

## **LOTTERY AGENCY AND EQUIPMENT SUPPLY BUSINESS**

In 2010, the lottery market in PRC experiences a rapid development. In the first nine months, total sales of welfare lottery nationwide increased RMB14.021 billion or 25.6% to RMB68.711 billion, which demonstrates lottery lovers' constant motivation to purchase lotteries. Meanwhile, there is new breakthrough in the lottery marketing channel. By the end of September 2010, the Ministry of Finance implemented "Interim Administrative Measures for Internet Lottery Sales" and "Interim Administrative Measures for Telephone Lottery Sales", prescribing conditions and scopes required for internet and telephone sales of lottery. With the opening of such sale channels, the lottery development in PRC is believed to embrace a new chapter. Therefore, the Group will also closely follow the developing step of lottery industry in PRC and proactively push forward the development of such business.

Leveraging on the existing foundations, the Group will secure the stable growth in the piped gas fuel business while vigorously consolidating the LPG business to explore new market, thus exerting stronger influence over the market. Also, the Group will proactively expand its new businesses, such as lottery and insurance in bid 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 2010, 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. Throughout the period, 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 information.

As at the date of this announcement, the Directors of the Company are as follows:

*Executive Directors:*

Mr. Xu Ruixin  
Dr. Mo Shikang  
Mr. Zhang Hesheng  
Mr. Zhu Peifeng  
Mr. Jin Song  
Mr. Chu Kin Wang Peleus

*Independent non-executive Directors:*

Mr. Liu Junmin  
Mr. Tan Qinglian  
Mr. Sin Ka Man

By Order of the Board  
**Chinese People Holdings Company Limited**  
**Jin Song**  
*Managing and Executive Director*

Beijing, 26 November 2010