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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 2011

FINANCIAL HIGHLIGHTS

- Turnover of the Group was approximately HK\$501,317,000 for the six months ended 30 September 2011, up approximately 47.7% from the corresponding period in the previous fiscal year.
- For the six months ended 30 September 2011, gross profit of the Group was approximately HK\$134,389,000, representing an increase of 74.7% from the corresponding period in the previous fiscal year.
- Profit attributable to shareholders of the Group for the six months ended 30 September 2011 surged up to approximately HK\$259,813,000 (including the gain on deemed disposal of an associate of approximately HK\$230,517,000) as compared to net loss of approximately HK\$54,423,000 (including the loss on disposal of available-for-sale financial assets of approximately HK\$64,426,000) from the corresponding period in the previous fiscal year.
- Excluding the non-recurring items, profit before taxation of the Group was approximately HK\$52,163,000, representing an increase of 169.2% as compared with HK\$19,376,000 for the corresponding period in 2010.
- The Group's gearing level remains modest with the debt-to-capitalisation ratio declining from 16.7% (as at 31 March 2011) to 14.2%. At 30 September 2011, the Group's cash reserves amounted to approximately HK\$396.3 million.
- Net assets value per share is HK\$0.306 as at 30 September 2011, up 8.1% when compared with that of as at 31 March 2011.

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 2011, together with the unaudited comparative figures for the corresponding period in 2010. These interim financial information have not been audited, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

| | | Six months ended 30 September | |
|---|-------|----------------------------------|-------------|
| | | 2011 | 2010 |
| | | (unaudited) | (unaudited) |
| | Notes | HK\$'000 | HK\$'000 |
| Turnover | 3 | 501,317 | 339,462 |
| Cost of sales | | (366,928) | (262,552) |
| Gross profit | | 134,389 | 76,910 |
| Other operating income | | 5,189 | 4,226 |
| Administrative expenses | | (85,612) | (58,605) |
| Equity-settled share-based payments | | – | (2,952) |
| Loss on disposal of available-for-sale financial assets | | – | (64,426) |
| Gain on deemed disposal of an associate | | 230,517 | – |
| Share of results of associates | | 12 | (59) |
| Finance costs | 4 | (1,815) | (3,096) |
| Profit/(loss) before taxation | | 282,680 | (48,002) |
| Income tax expense | 5 | (21,052) | (4,161) |
| Profit/(loss) for the period | 6 | 261,628 | (52,163) |

| | | Six months ended | |
|--|---|-------------------------|-----------------|
| | | 30 September | |
| | | 2011 | 2010 |
| | | (unaudited) | (unaudited) |
| <i>Notes</i> | | HK\$'000 | HK\$'000 |
| Other comprehensive income for the period | | | |
| Exchange differences arising | | | |
| on translation of foreign operations | | 24,945 | 14,876 |
| Loss on fair value changes of | | | |
| available-for-sale financial assets | | (19) | (1,937) |
| Release of investment valuation reserve upon disposal of | | | |
| available-for-sales financial assets | | <u>–</u> | <u>64,348</u> |
| Other comprehensive income for the period | | <u>24,926</u> | <u>77,287</u> |
| Total comprehensive income for the period | | <u>286,554</u> | <u>25,124</u> |
| Profit/(loss) attributable to: | | | |
| Owners of the Company | | | |
| | | 259,813 | (54,423) |
| Non-controlling interests | | | |
| | | <u>1,815</u> | <u>2,260</u> |
| | | <u>261,628</u> | <u>(52,163)</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | | |
| | | 284,739 | 22,864 |
| Non-controlling interests | | | |
| | | <u>1,815</u> | <u>2,260</u> |
| | | <u>286,554</u> | <u>25,124</u> |
| | | <i>HK Cents</i> | <i>HK Cents</i> |
| Earnings/(loss) per share | | | |
| | 8 | | |
| – basic | | <u>5.95</u> | <u>(1.33)</u> |
| – diluted | | <u>5.95</u> | <u>n/a</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

| | | 30 September | 31 March |
|--|--------------|-------------------------|-------------------------|
| | | 2011 | 2011 |
| | | (unaudited) | (audited) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Non-current assets | | | |
| Property, plant and equipment | | 821,723 | 738,370 |
| Investment properties | | 8,853 | 8,621 |
| Prepaid lease payments | | 36,078 | 27,916 |
| Goodwill | | 144,708 | 95,114 |
| Intangible assets | | 870,582 | 101,714 |
| Interests in associates | | 40,930 | 89,733 |
| Available-for-sale financial assets | | 6,908 | 6,746 |
| Deposit paid for acquisition of jointly controlled entities | | 74,255 | 41,489 |
| Deposit paid on acquisition of property, plant and equipment and prepaid lease payments | | 3,444 | 20,104 |
| | | <u>2,007,481</u> | <u>1,129,807</u> |
| Current assets | | | |
| Inventories | | 42,656 | 34,777 |
| Trade and other receivables | 9 | 181,395 | 230,085 |
| Other loan to a shareholder of an associate | | – | 43,050 |
| Amount due from a joint venturer | | 27 | 24,230 |
| Amount due from an associate | | 487 | 474 |
| Prepaid lease payments | | 745 | 767 |
| Held-to-maturity investments | | 36,519 | 35,562 |
| Pledged bank deposits | | 1,805 | 8,228 |
| Bank balances and cash | | 396,328 | 262,763 |
| | | <u>659,962</u> | <u>639,936</u> |

| | | 30 September 2011 (unaudited) HK\$'000 | 31 March 2011 (audited) HK\$'000 |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 307,831 | 277,575 |
| Tax liabilities | | 44,063 | 55,313 |
| Amount due to a joint venturer | | 283 | 12,885 |
| Amounts due to associates | | 12,170 | 11,851 |
| Amounts due to a shareholder of an associate | | – | 23,708 |
| Amount due to a substantial shareholder | | 4,261 | – |
| Bank borrowings – due within one year | | 76,176 | 21,693 |
| | | <u>444,784</u> | <u>403,025</u> |
| Net current assets | | <u>215,178</u> | <u>236,911</u> |
| Total assets less current liabilities | | <u>2,222,659</u> | <u>1,366,718</u> |
| Capital and reserves | | | |
| Share capital | | 406,697 | 285,756 |
| Reserves | | 1,296,727 | 797,750 |
| Equity attributable to owners of the Company | | 1,703,424 | 1,083,506 |
| Non-controlling interests | | 72,864 | 71,049 |
| Total equity | | <u>1,776,288</u> | <u>1,154,555</u> |
| Non-current liabilities | | | |
| Amount due to a substantial shareholder | | 28,789 | – |
| Bank borrowings – due after one year | | 205,848 | 192,604 |
| Deferred tax liabilities | | 211,734 | 19,559 |
| | | <u>446,371</u> | <u>212,163</u> |
| | | <u>2,222,659</u> | <u>1,366,718</u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

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 reviewed by the audit committee of the Company and was authorised for issue on 11 November 2011.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2010-2011 annual financial statements, except for the accounting policies applicable for new lottery agency sales and equipment supply business and the accounting policy changes that are expected to be reflected in the 2011-2012 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.

2 CHANGE IN ACCOUNTING POLICIES

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

| | |
|---|---|
| HKFRSs (Amendments) | Improvement to HKFRSs issued in 2010 |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters |
| HKAS 24 (Revised) | Related Party Disclosures |
| HKAS 32 (Amendment) | Classification of Right Issues |
| Hong Kong (International Financial Reporting Interpretations Committee) (“HK(IFRIC)”) – Interpretation (“Int”) 14 (Amendment) | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

The application of the new and revised HKFRSs had no material effect on the interim financial information of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised standards or amendments that have been issued but are not yet effective:

| | |
|------------------------------|---|
| HKFRS 1 (Amendments) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adoption ¹ |
| HKFRS 7 (Amendments) | Disclosures – Transfer of Financial Assets ¹ |
| HKFRS 9 | Financial Instruments ⁴ |
| HKFRS 10 | Consolidated Financial Statements ⁴ |
| HKFRS 11 | Joint Arrangements ⁴ |
| HKFRS 12 | Disclosure of Interests in Other Entities ⁴ |
| HKFRS 13 | Fair Value Measurement ⁴ |
| HKAS 1 (Revised) | Presentation of Financial Statements ³ |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets ² |
| HKAS 19 (as revised in 2011) | Employee Benefits ⁴ |
| HKAS 27 (as revised in 2011) | Separate Financial Statements ⁴ |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures ⁴ |

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2012.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2013.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3 SEGMENT INFORMATION

During the period, the Group acquired the entire interest in Grand Destiny Group Limited (“Grand Destiny”) for a consideration of approximately HK\$465 million. Grand Destiny and its subsidiaries namely Shenzhen Yongheng Le Cai Technology Development Limited (“Shenzhen Le Cai”) and Shenzhen Yongheng Jin Cai Technology Development Limited (“Shenzhen Jin Cai”) are engaged in the lottery agency sales and equipment supply. Details of this acquisition had been set out in the Company’s circular dated 12 August 2011. The segment of lottery agency sales and equipment supply is regarded as new business segment of the Group upon the completion of acquisition.

For management purposes, the Group is currently organised into three operating divisions, and has three reportable operating segments as follows: (i) provision of piped gas fuel, (ii) transportation, distribution and retail of bottled LPG and (iii) lottery agency sales and equipment supply.

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.

Lottery agency sales and equipment supply – agent to operate and sell Keno Games Lottery and welfare lottery 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 and retail of bottled LPG | | Lottery agency sales and equipment supply | | Consolidated | |
| | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 |
| Revenue from external customers | <u>356,143</u> | <u>229,774</u> | <u>145,162</u> | <u>109,688</u> | <u>12</u> | <u>–</u> | <u>501,317</u> | <u>339,462</u> |
| Segment profit/(loss) | <u>64,396</u> | <u>24,805</u> | <u>887</u> | <u>4,539</u> | <u>(766)</u> | <u>–</u> | <u>64,517</u> | <u>29,344</u> |
| Unallocated income | | | | | | | <u>2,288</u> | <u>4,226</u> |
| Unallocated corporate expenses | | | | | | | <u>(12,839)</u> | <u>(11,039)</u> |
| Gain on deemed disposal of an associate | | | | | | | <u>230,517</u> | <u>–</u> |
| Loss on disposal of available-for-sale financial assets | | | | | | | <u>–</u> | <u>(64,426)</u> |
| Equity-settled share-based payments | | | | | | | <u>–</u> | <u>(2,952)</u> |
| Share of results of associates | | | | | | | <u>12</u> | <u>(59)</u> |
| Finance costs | | | | | | | <u>(1,815)</u> | <u>(3,096)</u> |
| Profit/(loss) before taxation | | | | | | | <u><u>282,680</u></u> | <u><u>(48,002)</u></u> |
| Other segment information | | | | | | | | |
| Amounts included in the measure of segment results: | | | | | | | | |
| Depreciation | <u>11,394</u> | <u>8,724</u> | <u>1,839</u> | <u>1,669</u> | <u>72</u> | <u>–</u> | <u>13,305</u> | <u>10,393</u> |
| Amortisation | <u>2,509</u> | <u>2,857</u> | <u>96</u> | <u>144</u> | <u>–</u> | <u>–</u> | <u>2,605</u> | <u>3,001</u> |
| Loss on disposal of property, plant and equipment | <u>11</u> | <u>3</u> | <u>1</u> | <u>35</u> | <u>–</u> | <u>–</u> | <u>12</u> | <u>38</u> |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results: | | | | | | | | |
| Share of results of associates | <u>1,928</u> | <u>1,834</u> | <u>–</u> | <u>–</u> | <u>(1,916)</u> | <u>(1,893)</u> | <u>12</u> | <u>(59)</u> |

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of bank interest income, other operating income, central administrative expenses, directors' emoluments, loss on disposal of available-for-sale financial assets, equity-settled share-based payments, gain on deemed disposal of an associate, finance costs and share of results of associates. This is the measure reported to chief operation decision makers for the purpose of resource allocation and performance assessment.

4 FINANCE COSTS

| | (Unaudited) | |
|--|---------------------|---------------------|
| | Six months ended | |
| | 30 September | |
| | 2011 | 2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest on other loans | 134 | 162 |
| Interest on bank and other borrowings | <u>14,222</u> | <u>7,057</u> |
| | 14,356 | 7,219 |
| Less: amount capitalised in construction in progress | <u>(12,541)</u> | <u>(4,123)</u> |
| | <u><u>1,815</u></u> | <u><u>3,096</u></u> |

Note: The borrowing costs have been capitalised at a rate of 5.19% – 6.87% per annum (30 September 2010: 5.31% to 7.96%).

5 INCOME TAX EXPENSE

| | (Unaudited) | |
|--|----------------------|---------------------|
| | Six months ended | |
| | 30 September | |
| | 2011 | 2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current tax | | |
| Provision for PRC Enterprise Income Tax for the period | 21,150 | 4,563 |
| Deferred tax | | |
| Credit for the period | <u>(98)</u> | <u>(402)</u> |
| | <u><u>21,052</u></u> | <u><u>4,161</u></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% 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. The relevant tax rates for the Group’s other subsidiaries in the PRC is 25%.

6 PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging the following:

| | (Unaudited) | |
|--|-------------------------|----------------------|
| | Six months ended | |
| | 30 September | |
| | 2011 | 2010 |
| | HK\$’000 | HK\$’000 |
| Depreciation and amortisation: | | |
| Intangible assets | 2,237 | 2,415 |
| Prepaid lease payment | 368 | 586 |
| Property, plant and equipment | <u>15,037</u> | <u>11,878</u> |
| | <u>17,642</u> | <u>14,879</u> |
| Total staff costs including Directors’ emoluments: | | |
| Salaries, wages, allowance and benefits in kind | 37,156 | 24,805 |
| Retirement benefits scheme contribution | 2,215 | 1,743 |
| Equity-settled share-based payments | <u>–</u> | <u>2,952</u> |
| | <u>39,371</u> | <u>29,500</u> |
| Loss on disposal of property, plant and equipment | <u>12</u> | <u>90</u> |

7 DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: nil).

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

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of HK\$259,813,000 (2010: loss of HK\$54,423,000) and the weighted average number of shares in issue during the period of 4,365,458,912 (2010: 4,082,224,554) during the period.

(b) Dilutive earnings per share

For the six months ended 30 September 2011, the Company's outstanding share options had no dilutive effect because the exercise prices of the Company's share options were higher than the average market price for shares, accordingly, no diluted earnings per share amount has been presented.

9 TRADE AND OTHER RECEIVABLES

| | 30 September 2011 HK\$'000 | 31 March 2011 HK\$'000 |
|--|---|------------------------------|
| Trade and bill receivables | 51,865 | 51,369 |
| Less: Impairment loss recognised in respect of trade and bill receivables | <u>(6,982)</u> | <u>(6,820)</u> |
| | 44,883 | 44,549 |
| Other receivables | 162,086 | 211,078 |
| Less: Impairment loss recognised in respect of other receivables | <u>(25,574)</u> | <u>(25,542)</u> |
| | 136,512 | 185,536 |
| Total | <u>181,395</u> | <u>230,085</u> |

The Group allows an average credit period ranging from 30 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:

| | 30 September 2011 HK\$'000 | 31 March 2011 HK\$'000 |
|--------------------|---|------------------------------|
| Current to 90 days | 22,110 | 29,531 |
| 91 to 180 days | 8,918 | 6,385 |
| Over 180 days | 13,855 | 8,633 |
| | <u>44,883</u> | <u>44,549</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 2011 HK\$'000 | 31 March 2011 HK\$'000 |
|--|---|------------------------------|
| Amount due from a former associate | 3,275 | 3,556 |
| Amount due from jointly controlled entities | – | 472 |
| Consideration receivable for assets disposal | 419 | 76,634 |
| Amount due from a shareholder of an associate | – | 14,032 |
| Interest receivable from a shareholder of an associate | – | 1,911 |
| Prepayments | 29,374 | 12,537 |
| Deposit paid/payment in advance to suppliers | 59,296 | 59,619 |
| Others | 44,148 | 16,775 |
| | <u>136,512</u> | <u>185,536</u> |

10 TRADE AND OTHER PAYABLES

| | 30 September 2011 <i>HK\$'000</i> | 31 March 2011 <i>HK\$'000</i> |
|--|---|-------------------------------------|
| Trade payables, falling due in: | | |
| 0 – 3 months | 45,693 | 35,512 |
| 4 – 6 months | 10,439 | 12,523 |
| Over 6 months | <u>25,935</u> | <u>20,422</u> |
| Trade payables | 82,067 | 68,457 |
| Deposits received from customers (<i>note (i)</i>) | 135,724 | 139,333 |
| Customers gas deposits and other deposits received | 22,644 | 10,840 |
| Gas fuel income received in advance | 38,589 | 22,817 |
| Other payables for the purchase of property, plant and equipment | 941 | 916 |
| Other loans (<i>note (ii)</i>) | – | 2,371 |
| Accrued charges and other payables | <u>27,866</u> | <u>32,841</u> |
| | <u>307,831</u> | <u>277,575</u> |

Notes

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

11 COMMITMENTS

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

| | At 30 September 2011 <i>HK\$'000</i> | At 31 March 2011 <i>HK\$'000</i> |
|---|---|---|
| Capital commitment in respect of investment in an associate | 161,901 | 157,658 |
| Capital expenditure in respect of the acquisition of property, plant and equipment | <u>36,602</u> | <u>49,041</u> |
| | <u>198,503</u> | <u>206,699</u> |

BUSINESS REVIEW

PROVISION OF PIPED GAS FUEL BUSINESS

Piped gas fuel business is 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, the Group continued to take advantages of its industry experience and corporate management. Through the continuing expansion of piped gas fuel network coverage, further optimisation of corporate management and enhancement of its service quality, the Group achieved sustainable solid growth in piped gas fuel business as a result of its proactive promotion and ongoing effort to expand the customer base and increase its market share. Meanwhile, the strong growth of the Group's piped gas fuel connected customers reflects that the Group has an increasing reputation among the vast range of customers and a greater competitive strength of gas fuel business, which is much clean and efficient as compared to other energy resources.

During the reporting period, the Group achieved piped gas fuel sales of 121.83 million cubic meters ("m³") in total, representing a growth of 24.5% over the corresponding period last year. Among the total sales, 23.20 million m³ of gas fuel were made to household customers and this represented a growth of 39.3% over the corresponding period last year; and 98.63 million m³ of gas fuel were made to commercial & industrial customers, a growth of 21.5% over the corresponding period last year.

During the reporting period, the Group had an addition of 42,566 household customers and 195 commercial & industrial customers, slightly lowered by 3.1% and increased 6.6% respectively as compared to the corresponding period last year. As at 30 September 2011, the Group had an accumulated number of connected customers of 422,213, which included 419,156 household customers and 3,057 commercial & industrial customers. Currently, among the Group's regional coverage, both the household customers and commercial & industrial customers are still providing great potential to accelerate the pipeline connection.

During the reporting period, the Group recorded a turnover of approximately HK\$356,143,000 from the provision of piped gas fuel, representing an increase of 55.0% over the corresponding period last year. Turnover from the provision of piped gas fuel accounted for 71.0% of the turnover of the Group for the reporting period.

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

The business of transportation, distribution, and retail of bottled LPG is vigorously developed by the Group in recent years. Since its official commencement in 2007, leveraging the enhancement of the close relationship with the upper stream gas suppliers and the effort on the exploration of new sources of LPG, the Group has been stabilising LPG supply and accomplishing the multi-channel gas supply. 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, consolidation of the retail markets, establishment of customer service centers, unification of servicing system, service standard enhancement and corporative brand building. Following the recent years of development and accumulation of experience, a considerable scale of the Group's LPG business has been developed in the southwest of the PRC (including Yunnan, Guizhou, Hunan etc.), supported by numerous groups of customers. Thus, the sales of LPG have been increasing yearly, while our corporations' 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 18,055 tons in total, representing an increase of 1.8% over the corresponding period last year. The Group realised an income from sales of LPG of approximately HK\$145,162,000, representing an increase of 32.3% over the corresponding period last year. During the same period, revenue from transportation, distribution and retail of bottled LPG accounts for 29.0% of the Group's turnover.

LOTTERY AGENCY SALES AND EQUIPMENT SUPPLY BUSINESS

In December 2008, Beijing Zhongmin Gas Co., Ltd. (“Beijing Zhongmin”), a wholly-owned subsidiary of the Group, and Yongheng Development Group (Shenzhen) Company Limited (“Shenzhen Yongheng”) jointly invested to set up an associate, Shenzhen Le Cai, in Shenzhen, the PRC, of which, Beijing Zhongmin holds 40% equity interest in Shenzhen Le Cai. Shenzhen Le Cai is engaged in the development of software with intelligent electronic engineering technology, the operation of real estate development on lands with legitimate land use right, industrial investment and operation (specific projects to be applied separately) and the research, development and manufacturing of video lottery machines (license for manufacturing site to be applied), sales of computer welfare lottery “Keno Games Lottery”(快樂彩) (previously referred to as “Kuai2”) (operated by a division subject to the franchise license and a letter of reply from Shenzhen Civil Service), technological development of lottery equipment products and computer software, and consultation on economic information (excluding projects with restriction), and commissioned sales of China Welfare Lottery. In June 2011, the Company entered into an agreement with Yongheng Development Corporation Limited (“Yongheng”), the holding company of Shenzhen Yongheng, acquiring the other 60% equity interest in Shenzhen Le Cai (please refer the circular published by the Company on 12 August 2011 for details). The acquisition was approved on the Company’s special general meeting held on 29 August 2011. Upon the completion, Shenzhen Le Cai has become a wholly-owned subsidiary of the Group and its financial information have been consolidated into the Group.

On 18 April 2011, Shenzhen Le Cai entered into “China Welfare Lottery Distribution Agreement” with Shenzhen Welfare Lottery Issuing Centre (深圳市福利彩票發行中心), whereby Shenzhen Le Cai will set up betting branches in Shenzhen to sell welfare lottery, including but not limited to “Shenzhen Feng Cai”(深圳風采), “Shuang Se Qiu”(雙色球), “Qi Le Cai”(七樂彩), “3D”, entitling to sale commissions based on a commission rate of 6% of the sales of welfare lottery.

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

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

On 30 August 2011, Shenzhen Le Cai entered into the Supplementary Keno Games Agreement with Shenzhen Welfare Lottery Issuing Centre, pursuant to which, apart from the Shenzhen Welfare Lottery Issuing Centre, Shenzhen Le Cai will be the sole agent to set up betting stores and to distribute Keno Games Lottery. In addition, Shenzhen Welfare Lottery Issuing Centre agreed that Shenzhen Le Cai is allowed to distribute traditional welfare lotteries and paper-based instant lotteries. Shenzhen Le Cai will be entitled to 7% of the total sales of the Keno Games Lottery as commission fees as well as certain percentage of the excessive amount as bonuses with the highest percentage of 3% provided that monthly sales for a single betting station/store operated by Shenzhen Le Cai and its total annual sales of Keno Games Lottery must exceed certain benchmark.

Currently, the lottery business of Shenzhen Le Cai has been commenced with a positive market respond.

INVESTMENT PROJECTS DURING THE REPORTING PERIOD

ACQUISITION OF 49.90% EQUITY INTEREST IN SOUTHWEST PANVA

On 25 March 2011, Beijing Zhonglian Huanan Investment Co., Ltd. (“Beijing Zhonglian”), an wholly-owned subsidiary of the Group, entered into equity share transfer agreement with an independent third party, Guizhou Gas (Group) Co., Ltd. (“Guizhou Gas”), whereby Beijing Zhonglian acquired 49.90% of equity interest in Pan River Gas (China Southwest) Co., Ltd. (“Southwest Panva”) at a total consideration of RMB35,000,000 (equivalent to approximately HK\$41,489,000). Southwest Panva is principally engaged in wholesaling and retailing of LPG in Guizhou Province, the PRC. The transaction was yet to completed at the end of the reporting period. Acquisition of Southwest Panva will help expand the LPG operation of the Group and increase the market share in the southwestern region of the PRC.

ACQUISITION OF 20.12% INTERESTS IN YUNNAN PANVA

On 9 June 2011, Beijing Zhonglian and Yunnan Industrial Investment Holdings (Group) Co., Ltd. (“Yunnan Industrial”) entered into an agreement, pursuant to which, Beijing Zhonglian agreed to acquire and Yunnan Industrial agreed to sell the 20.12% of the entire registered capital and paid up capital of Panva Gas (Yunnan) Co., Ltd. (“Yunnan Panva”) for a cash consideration of RMB26,000,000 (equivalent to approximately HK\$31,343,000). Details of the acquisition was set out in the announcement of the Company dated 10 June 2011. As at the date of this announcement, the transaction has yet to completed.

Upon the completion of acquisition, the Group’s LPG operation in the southwest region of the PRC will be further strengthened, which will stimulate the consolidation of regional LPG markets, provide the Group with an economic of scales effect and will improve the Group’s ability and market share.

FINANCIAL HIGHLIGHTS

| Items | For the six months ended | | Changes HK\$'000 |
|--|--------------------------|----------------------|----------------------|
| | 30 September | | |
| | 2011 HK\$'000 | 2010 HK\$'000 | |
| Turnover: | | | |
| Provision of piped gas fuel business | 356,143 | 229,774 | 126,369 |
| Transportation, distribution and retail of bottled LPG business | 145,162 | 109,688 | 35,474 |
| Lottery agency sales and equipment supply business | 12 | – | 12 |
| Total | <u>501,317</u> | <u>339,462</u> | <u>161,855</u> |
| Gross Profit: | | | |
| Provision of piped gas fuel business | 111,790 | 60,089 | 51,701 |
| Transportation, distribution and retail of bottled LPG business | 22,587 | 16,821 | 5,766 |
| Lottery agency sales and equipment supply business | 12 | – | 12 |
| Total | <u>134,389</u> | <u>76,910</u> | <u>57,479</u> |
| Segment results: | | | |
| Provision of piped gas fuel business | 64,396 | 24,805 | 39,591 |
| Transportation, distribution and retail of bottled LPG business | 887 | 4,539 | (3,652) |
| Lottery agency sales and equipment supply business | (766) | – | (766) |
| Total | <u>64,517</u> | <u>29,344</u> | <u>35,173</u> |
| Profit/(loss) before taxation | 282,680 | (48,002) | 330,682 |
| Adjustments for: | | | |
| Equity-settled share-based payments | – | 2,952 | (2,952) |
| Gain on deemed disposal of an associate | (230,517) | – | (230,517) |
| Loss on disposal of available-for-sale financial assets | – | 64,426 | (64,426) |
| Profit before tax after adjustments for non-recurrent items | <u>52,163</u> | <u>19,376</u> | <u>32,787</u> |

FINANCIAL REVIEW

Turnover and gross profit

The Group's turnover was approximately HK\$501,317,000, representing an increase of 47.7% as compared to the corresponding period last year. Excluding the non-recurrent items, operating profit before taxation increased by 169.2% to approximately HK\$52,163,000. During the reporting period, the Group achieved total gross profit generated from operating activities of approximately HK\$134,389,000, representing an increase of 74.7% as compared to the corresponding period last year, while the overall gross profit margin was 26.8% (2010:22.7%). The increase of gross profit and gross margin were 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, while the average gas selling price increased. Benefiting from the completion and commencement of Fujian LNG project, local users were stimulated to use LNG instead, which brought the increase of revenue generated from the profitable connection business, resulting in the increase of gross profit margin.

Liquidity and capital resources

As at 30 September 2011, the Group's cash and cash equivalents amounted to approximately HK\$396,328,000 (31 March 2011: approximately HK\$262,763,000), and the total borrowings amounted to approximately HK\$282,024,000 (31 March 2011: approximately HK\$216,668,000). The debt-to-capitalisation ratio, representing the ratio of total borrowings to borrowings and equity attributable to owners of the Company, was 14.2% (31 March 2011:16.7%).

As at 30 September 2011, the total assets of the Group was approximately HK\$2,667,443,000, and current liabilities, long-term liabilities, equity attributable to owners of the Company and non-controlling interests amounted to approximately HK\$444,784,000, HK\$446,371,000, HK\$1,703,424,000 and HK\$72,864,000 respectively.

Borrowing structure

The Group has always adopted prudent management policies for financial resources, maintaining an appropriate level of cash and cash equivalents and sufficient credits, in order to meet the needs for daily operations and business development, and to maintain the healthy level of borrowings. As at 30 September 2011, the total borrowings of the Group were approximately HK\$282,024,000 (31 March 2011: approximately HK\$216,668,000), 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\$272,894,000 which were secured by certain assets with a carrying amount of approximately HK\$22,416,000, others were unsecured. Short-term borrowings amounted to approximately HK\$76,176,000, while others were long-term borrowings due after one year.

Capital structure

The Group's long-term capital comprised borrowings and equity attributable to owners of the Company, 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

The Group carried out its operation and business mainly in Hong Kong and the mainland China and substantially all of its cash, cash equivalents and borrowings are denominated in Renminbi, Hong Kong dollars and United States dollars. As expected, the Group does not have any exposure to any substantial currency risk. The Group will closely monitor the market exchange rates and make appropriate adjustment when necessary.

PROSPECTS

Piped gas fuel business

In the post-global financial crisis era, the American debt crisis and European debt crisis ensued as a result of the continued widespread depression in global economy. However, the PRC managed to struggle against the challenges of external economic conditions to its economy. During the first three quarters of 2011, the realisation of GDP amounted to RMB32,069.2 billion, representing an increase of 9.4% compared with the corresponding period last year, maintaining a stable and solid growth. In addition to the sustainable growth of the PRC's economy, the steady acceleration of industrialisation and urbanisation led to the sustained strong demand of energy resources in the PRC. Following the Copenhagen Climate Conference 2009, the PRC government put more focus on exploring and utilising less polluting consumable energy resources. Natural gas, as the substantial clean energy resources, played an increasingly important role in traditional energy industry.

During the "Twelfth Five Years", energy saving, reducing emission and green economy remained as the main trends in the PRC's economic development. Regarding to this situation, combined with the current proportion of natural gas in international level of one-off energy consumption (i.e. 24%), the PRC government will endeavor to promote the uses of natural gas. As expected, the percentage of energy consumption provided by natural gas will raise to 8% in 2015, thus increasing the annual production of natural gas to 260 billion m³. According to "the Guiding Opinion Concerning the Development of Natural Gas Distributed Energy", the PRC government will commence the first series of demonstrative projects on natural gas distributed energy, so as to promote the swift development of natural gas industry in the PRC. Currently, the nationwide natural gas network, comprised of various long pipelines (i.e. the West-to-East Gas Pipeline, Sichuan-to-East Natural Gas Pipeline, Shaanxi-Beijing Gas Pipeline and Zhongwu Gas Pipeline etc.), has been preliminary formed in the PRC. Facilitated with the Sino-Russian Gas Pipeline, the Sino-Myanmar gas pipeline, and the completion and commencement of coastal LNG loading piers, the supply of natural gas in the PRC will be greatly secured. Meanwhile, following the implementation of newly amended "Provisional Regulations of the People's Republic of China on Resource Tax", the pricing policy among the PRC's natural gas market will be more mature and reasonable. Thus, the leverage effect on price will be further enhanced. All the measures above will accelerate the continuing solid development progress of the PRC's natural gas industry.

Among the Group's regions of piped gas fuel business, both the household customers and commercial & industrial customers are still providing great potential to accelerate the pipeline connection. The Group will further improve its income structure of piped gas fuel business and reduce the burden of one-off connection fees income, grounded on its increasing customer base. 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 stable contribution to the consolidated beneficial result of its operation.

LPG business

Due to the low coverage level of natural gas pipeline network in Yunnan, Guizhou and southwest Hunan, the supply of natural gas has been tight in these regions. LPG, advantaged in its easy-to-transport and user-friendly nature, will be the major resource commonly used in the urban area of these regions for a period of time in the future. 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 completion of the acquisition of equity interest in Southwest Panva and Yunnan Panva, the Group's market share in the southwestern region of China, including Yunnan Province and Guizhou Province, has been further increased. 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 optimizing 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 coming years, 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 increasing its market share, so as to obtain greater contribution to the consolidated beneficial result of its operation.

Lottery business

According to the sample member survey conducted by the World Lottery Association, the PRC's national sales of lotteries increased by 30.9% in the first half of 2011, which was greatly higher than the world average growth rate of lotteries sales (i.e. 12.4%) and achieved the top growth rate in the world. According to the statistics gathered by the Ministry of Finance of the PRC, during the first nine months in 2011, the nationwide lottery sales rose by RMB39.725 billion or 33.7% to RMB157.766 billion, of which the welfare lottery sales increased by RMB23.059 billion or 33.6% to RMB91.771 billion. As the enthusiasm for lottery betting among numerous lottery bettors has been rising, we believed that the lottery industry in the PRC will maintain its sustainable and rapid growth with its healthy development. Currently, Shenzhen Le Cai has proactively set up betting branches and officially sold various welfare lotteries, including "Shenzhen Feng Cai" (深圳風采), "Shuang Se Qiu" (雙色球), "Qi Le Cai" (七樂彩), "3D" etc.. While a new genre of lottery, "Keno Games Lottery" (快樂彩), will arrive on the market very soon. Apart from strengthening the current well-established business, 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 believes, the lottery business of Shenzhen Le Cai will surely continue its swift development, due to the attractiveness of its high winning rate and high pay-out nature, grounded in the fast-growing and healthy development of lottery market in the PRC. We also believe that the gross profit generated from lottery business will surely bring rich cash flow and huge investment returns for 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 capitalise its value for the shareholders, through the firm establishment and measurement of its business value, striving 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 2011, 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 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, 11 November 2011