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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 2009

HIGHLIGHTS

- Revenue increased by 20.1% to approximately HK$311.1 million
- Gross profit margin increased by 4.3 percentage points to 27.8%
- Total operating segments profit increased by 131% to approximately HK$41.8 million
- Net profit attributable to equity holders of the Company recorded a significant increase from approximately HK$1.4 million to approximately HK$232.7 million due to the gain on disposal of subsidiaries/partial interest in subsidiaries of approximately HK$220.8 million
- As at 30 September 2009, total assets of the Group was approximately HK$1,855.0 million, increased by 21.2% as compared to that as at 31 March 2009
- Debt to total equity ratio improved from 45.6% as at 31 March 2009 to 30.1% as at 30 September 2009

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 2009, together with the unaudited comparative figures for the corresponding period in 2008. These interim financial statements 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 (UNAUDITED)

For the six months ended 30 September 2009

	Notes	Six months ended 30 September 2009 (unaudited) HK$'000	2008 (unaudited) HK$'000
Turnover	3	**311,087**	259,053
Cost of sales		**(224,544)**	(198,231)
Gross profit		**86,543**	60,822
Selling expenses		**(22,616)**	(17,925)
Administrative expenses		**(36,632)**	(30,947)
Other operating income		**4,843**	1,597
Change in fair value of convertible notes		**(2,118)**	(680)
Change in fair value of financial assets at fair value through profit or loss		**–**	(7,506)
Discount on acquisition of additional interest in a subsidiary		**–**	216
Gain on disposal of subsidiaries/partial interest in subsidiaries		**220,781**	–
Loss on disposal of an associate		**–**	(1,463)
Share-based payment expenses		**–**	(1,666)
Share of results of associates		**43**	4,838
Finance costs		**(4,820)**	(6,649)
Profit before taxation	4	**246,024**	637
Income tax	5	**(4,142)**	858
Profit for the period		**241,882**	1,495
Other comprehensive income and expense for the period, net of tax			
Exchange difference arising on translation of foreign operations		**1,835**	14,231
Change in fair value on available-for-sale financial assets		**15,765**	(49,511)
Other comprehensive income for the period		**17,600**	(35,280)
Total comprehensive income for the period		**259,482**	(33,785)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) (Continued)

For the six months ended 30 September 2009

	Notes	Six months ended 30 September 2009 (unaudited) HK$'000	2008 (unaudited) HK$'000
Profit attributable to:			
Equity holders of the Company		**232,731**	1,403
Minority interest		**9,151**	92
		241,882	1,495
Total comprehensive income attributable to:			
Equity holders of the Company		**250,331**	(33,877)
Minority interest		**9,151**	92
		259,482	(33,785)
Dividend per share	*6*	**–**	–
Earnings per share	*7*		
Basic (cents per share)		**5.70**	0.03
Diluted (cents per share)		**n/a**	n/a

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 September 2009

	Notes	**30 September 2009 (unaudited) *HK$'000***	31 March 2009 (audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**834,429**	765,802
Investment properties		**11,471**	11,458
Prepaid lease payments		**44,546**	37,682
Goodwill		**90,210**	169,065
Intangible assets		**137,746**	140,271
Interests in associates		**83,733**	56,342
Available-for-sale financial assets		**48,064**	32,291
Deposit paid on acquisition of a subsidiary		**8,526**	–
Deposit paid on acquisition of property, plant and equipment		**4,665**	2,483
		1,263,390	1,215,394
Current assets			
Inventories		**39,629**	34,770
Trade and other receivables	*8*	**206,149**	102,445
Prepaid lease payments		**929**	814
Bank balances and cash		**344,860**	176,952
		591,567	314,981
Current liabilities			
Trade and other payables	*9*	**281,496**	241,633
Tax liabilities		**50,556**	58,123
Amounts due to associates		**30,241**	34,458
Bank borrowings – due within one year		**147,125**	145,839
Convertible notes		**–**	162,374
		509,418	642,427
Net current assets/(liabilities)		**82,149**	(327,446)
Total assets less current liabilities		**1,345,539**	887,948

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued)

At 30 September 2009

	30 September 2009 (unaudited)	31 March 2009 (audited)
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**285,756**	285,756
Reserves	**597,903**	347,572
Equity attributable to equity holders of the Company	**883,659**	633,328
Minority interests	**248,862**	68,810
Total equity	**1,132,521**	702,138
Non-current liabilities		
Bank borrowings – due after one year	**191,664**	164,102
Deferred tax liabilities	**21,354**	21,708
	213,018	185,810
	1,345,539	887,948

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The condensed consolidated financial statements (the "Interim 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 (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 Statements should be read in conjunction with the annual financial statements for the year ended 31 March 2009. The Interim Financial Statements have been reviewed by the Audit Committee and were approved by the Board on 18 December 2009.

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of Interim Financial Statements 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. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention except for certain investment properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2009.

The amendments to HKAS 23 and Hong Kong Financial Reporting Standard ("HKFRS") 2 and HK (IFRIC) – Interpretation ("Int") 15 had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the Interim Financial Statements. The impact of the remainder of these developments on the Interim Financial Statements is as follows:

HKFRS 8 "Operating Segments" is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a resdesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, but some changes in presentation and disclosure have been made *(see note 3)*.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKAS 1 (revised 2007) "Presentation of Financial Statements" has introduced a number of terminology changes and has resulted in a number of changes in presentation and disclosure. The consolidated statement of comprehensive income includes all items disclosed in the former consolidated income statement and additional disclosure in other comprehensive income. The names of consolidated balance sheet and consolidated cash flow statement have now changed into the consolidated statement of financial position and consolidated statement of cash flows respectively with all contents remain the same.

The adoption of the new or revised HKFRSs have had no material impact on the reported results and financial position of the Group for current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction[3]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[4]

[1] *Effective for annual periods beginning on or after 1 July 2009*

[2] *Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate*

[3] *Effective for annual periods beginning on or after 1 January 2010*

[4] *Effective for transfers on or after 1 July 2009*

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Except that the Directors are in progress of assessing the potential impact on the application of HK(IFRIC)-Int 18, the Directors anticipate that the application of the other new or revised standards or interpretations have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

In accordance with HKFRS 8 "Operating Segments", segment information disclosed in the Interim Financial Statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

3. **SEGMENT INFORMATION (Continued)**

The measure used for reporting segment profit is the segment results, adjusted for items not specifically attributed to individual segments, such as directors' and auditor's remuneration and other corporate administration costs.

The Group's most senior executive management has been identified as the Board. Information regarding the Group's reportable segments for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Provision of piped gas fuel		**Transportation and distribution of LPG and retail of bottled LPG**		**Consolidated**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
For the six months ended 30 September						
Revenue from external customers	**189,599**	143,708	**121,488**	115,345	**311,087**	259,053
Reportable segment profit before depreciation and amortisation	**45,881**	24,033	**9,554**	5,251	**55,435**	29,284
Depreciation and amortisation	**11,607**	9,522	**2,014**	1,662	**13,621**	11,184
Reportable segment profit	**34,274**	14,511	**7,540**	3,589	**41,814**	18,100
Change in fair value of convertible notes					**(2,118)**	(680)
Change in fair value of financial assets at fair value through profit or loss					**–**	(7,506)
Corporate finance costs					**(651)**	(1,560)
Depreciation and amortisation					**(1,239)**	(1,001)
Discount on acquisition of additional interest in a subsidiary					**–**	216
Gain on disposal of subsidiaries/ partial interest in subsidiaries					**220,781**	–
Loss on disposal of an associate					**–**	(1,463)
Share-based payment expenses					**–**	(1,666)
Share of results of associates					**43**	4,838
Other corporate expenses					**(12,606)**	(8,641)
Profit before taxation					**246,024**	637

4. PROFIT BEFORE TAXATION

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

	(Unaudited) Six months ended 30 September 2009 HK$'000	2008 HK$'000
Depreciation and amortisation:		
Intangible assets	**2,684**	2,451
Prepaid lease payment	**634**	362
Property, plant and equipment	**11,542**	9,372
	14,860	12,185
Total staff costs including Directors' emoluments:		
Salaries, wages, allowance and benefits in kind	**26,491**	20,362
Retirement benefits scheme contribution	**1,747**	1,257
Share-based payment expenses	**–**	1,666
	28,238	23,285
Loss on disposal of property, plant and equipment	**197**	689

5. INCOME TAX

	(Unaudited) Six months ended 30 September 2009 HK$'000	2008 HK$'000
Current tax		
Provision for PRC Corporate Income Tax for the period	**6,659**	3,520
Overprovision in previous years	**(2,138)**	–
Deferred tax		
Credit for the period	**(379)**	(4,378)
	4,142	(858)

5. INCOME TAX (Continued)

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.

The provision for the PRC Corporate Income Tax is based on a statutory rate of 25% of the taxable profits determined in accordance with the relevant income tax rules and regulations in the PRC for the six months ended 30 September 2009, except for certain subsidiaries of the Group that are entitled to different concessionary tax rates.

6. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: nil).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$232,731,000 (2008: HK$1,403,000) and the weighted average number of ordinary shares of 4,082,224,554 (2008: 4,082,296,685) in issue during the period.

(b) Diluted earnings per share

There was no potential dilutive ordinary shares in existence for the six months ended 30 September 2009 and 2008, accordingly, no diluted earnings per share amount has been presented.

8. TRADE AND OTHER RECEIVABLES

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. An aged analysis of the trade receivables (net of impairment loss recognised) as at the balance sheet date, based on the invoice date, is as follow:

	At 30 September 2009 *HK$'000*	At 31 March 2009 *HK$'000*
Trade receivables aged:		
Current to 90 days	**14,923**	13,050
91 to 180 days	**3**	1,211
Over 180 days	**4,979**	1,269
Total trade receivables	**19,905**	15,530
Advances to third parties	**–**	4,542
Advances to related parties	**45,194**	3,407
Amount due from a minority interest	**45,472**	–
Prepayments	**7,620**	7,867
Bill receivables	**1,171**	307
Deposit paid/payment in advance to suppliers	**58,614**	45,707
Consideration receivable for the disposal of an associate	**20,034**	20,031
Others	**8,139**	5,054
	206,149	102,445

9. TRADE AND OTHER PAYABLES

	At 30 September 2009 *HK$'000*	At 31 March 2009 *HK$'000*
Trade payables, falling due in:		
0 – 3 months	**25,652**	19,851
4 – 6 months	**4,691**	6,011
Over 6 months	**22,399**	12,957
Total trade payables	**52,742**	38,819
Deposit received from customers	**151,428**	120,806
Convertible notes interest payable	**–**	910
Customers gas fuel deposit and other deposit received	**8,311**	5,785
Gas fuel income received in advance	**19,979**	31,851
Other payables for the purchase of property, plant and equipment	**3,547**	5,247
Consideration payable for the acquisition of additional interest in a subsidiary	**6,821**	6,813
Other loans	**2,274**	10,220
Accrued charges and other payables	**36,394**	21,182
	281,496	241,633

10. COMMITMENTS

Capital commitments at balance sheet date not provided for in the Interim Financial Statements were as follows:

	At 30 September 2009 *HK$'000*	At 31 March 2009 *HK$'000*
Capital commitment in respect of acquisition of a subsidiary	**23,873**	–
Capital commitment in respect of investment in an associate	**–**	27,277
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	**64,529**	110,145
	88,402	137,422

11. POST BALANCE SHEET EVENT

On 31 October 2009, Zhangzhou An Ran Gas Co., Ltd. ("Zhangzhou An Ran"), an effective 51% owned subsidiary of the Group, entered into an asset acquisition agreement with independent third party in which Zhangzhou An Ran agreed to acquire certain pipeline assets located in Longhai City Jiaomei County Longchi Economic Development Zone in Fujian Province at a consideration of RMB7,000,000 (equivalent to approximately HK$7,958,000. As at the date of this announcement, the transaction has yet to be completed.

BUSINESS REVIEW

Provision of piped gas fuel business

Supplying piped gas fuel to urban household and commercial & industrial customers by constructing urban gas pipeline networks in the PRC is the principal business of the Group, which is the Group's major source of income. In 2008, the 5.12 Wenchuan Mega Earthquake caused suspension of the piped gas fuel business of our subsidiaries in the affected areas. With the leadership of our directors and the senior management as well as the continuous efforts by all the staff of the affected subsidiaries in the region, the piped gas fuel business of such subsidiaries, other than those in Beichuan and Hanwang, the counties near the epicenter, has been basically restored to the level before the earthquake. Meanwhile, following the completion and the subsequent commencement of operation of the Fujian Province Liquefied Natural Gas ("LNG") project, the cost of natural gas is gradually declining and more urban household and commercial & industrial customers are willing to use natural gas as their primary fuel. The subsidiaries in the province are undergoing LNG replacement. The Group's piped gas fuel business will sustain steady development.

During the reporting period, the Group achieved piped gas fuel sales of 72.05 million cubic meters (“m^3”) in total, representing a growth of 26.4% over the corresponding period last year. Among the total sales, 12.47 million m^3 of gas fuel were made to household customers and this represented a growth of 16.3% over the corresponding period last year; and 59.58 million m^3 of gas fuel were made to commercial & industrial customers, a growth of 28.8% over the corresponding period last year.

During the reporting period, the Group had 12,730 and 96 newly connected household and commercial & industrial customers respectively. As at 30 September 2009, the accumulated number of connected customers of the Group was 220,922, among which 218,597 were household customers and 2,325 were commercial & industrial customers, representing an increase of 13.5% and 11.4% respectively as compared to the figures on 30 September 2008.

During the reporting period, the Group’s business of provision of piped gas fuel recorded a turnover of approximately HK$189,599,000, representing an increase of 31.9% over the corresponding period last year. Turnover from the provision of piped gas fuel accounted for 60.9% of the turnover of the Group for the reporting period.

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

Since the launch of the transportation, distribution and retail of bottled LPG business, the Group has been putting effort in securing steady LPG sources, perfecting sales system and actively establishing and expanding the LPG retail market, which has a higher profit margin. After the 3 year development, the Group has seized certain share in the LPG markets in Kunming, Yunnan Province and Huaihua, Hunan Province. The business has developed into a considerable scale and the sales volume of LPG is increasing. The LPG business becomes another major source of income of the Group.

During the reporting period, the sales of LPG by the Group reached 27,654 tons in total, representing a substantial growth of 51.5% over the corresponding period last year, and the Group realized an income from sales of LPG of approximately HK$121,488,000, representing an increase of 5.3% over the corresponding period last year. The slower growth in income as compared to that in sales volume from sales of LPG was mainly due to the marked decrease in selling price of LPG, which was a result of the lower international crude oil price, for the reporting period as compared with the corresponding period last year. The income from the transportation, distribution of LPG and retail of bottled LPG for the period accounted for approximately 39.1% of the turnover.

Lottery system and equipment supply business

In December 2008, the Group established an associate, Shenzhen Yongheng Lecai Technology Development Company Limited（深圳市永恒樂彩科技開發有限公司）("Yongheng Lecai"), in Shenzhen, the PRC. Yongheng Lecai is engaged in the development of software with intelligent electronic engineering technology, the operation of real estate development on lands with legitimate land use right, and industrial investment and operation (specific projects to be applied separately). Currently, Yongheng Lecai is actively applying to relevant authorities for investing and engaging in the development of electronic technology for lottery software and establishing development and production bases of lottery software technology for Asia in Shenzhen, as well as acting as agent and distributor for national welfare lottery business. On 8 December 2009, Yongheng Lecai entered into a letter of intent with the Shenzhen Welfare Lottery Issuing Centre（深圳市福利彩票發行中心）, pursuant to which, Yongheng Lecai will act as an agent to sell the computer welfare lottery Kuai2（快2）Game in Shenzhen. As at the date of this announcement, the lottery business of the Group has yet to commence operation.

BUSINESS DISPOSAL

Disposal of 49% equity interest in Fujian An Ran

On 26 April 2009, the Company entered into a sale and purchase agreement with China Gas Holdings Limited ("China Gas", stock code: 0384), pursuant to which, the Company transferred the entire equity interest in Brilliant China Investments Limited ("Brilliant China"), a wholly-owned subsidiary, at a cash consideration of approximately HK$320 million. Brilliant China, through Beijing Zhongmin Zhongran Trading Company Limited, its wholly-owned subsidiary, beneficially owns 45.45% equity interest in Fujian Province An Ran Gas Investment Company Limited ("Fujian An Ran"). Pursuant to the sale and purchase agreement, the purchaser group shall inject RMB80,000,000 (equivalent to approximately HK$90,944,000) to Fujian An Ran upon the completion of the sale and purchase agreement. On the same day, Beijing Zhongmin Gas Co., Ltd. ("Beijing Zhongmin"), a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Zhongran Gas (Shenzhen) Company Limited (a wholly-owned subsidiary of China Gas) in respect of the transfer of the 3.55% equity interest held by it in Fujian An Ran at a cash consideration of RMB40,000,000 (equivalent to approximately HK$45,472,000). Upon completion of the sale and purchase agreement and the equity transfer agreement, Brilliant China ceased to be a subsidiary of the Group but the Group remains as the major shareholder of Fujian An Ran, of which the Group holds 51% of the equity interest. Fujian An Ran continues as a subsidiary of the Group. The Group continues to benefit from the profits contribution by Fujian An Ran and its subsidiaries (collectively referred to as the "Fujian An Ran Group"). The disposal generated a gain of approximately HK$220.8 million for the Group. Part of the proceeds has been used for the repayment of the convertible notes due in June 2009 and for the further investment in Yongheng Lecai, and the balance be used as general working capital of the Group and for suitable investments in the future. For the details of such disposal, please refer to the circular of the Company dated 18 May 2009.

FINANCIAL REVIEW

Gross profit

During the reporting period, the Group realized a gross profit from business operation of HK$86,543,000, representing an increase of 42.3% as compared with the corresponding period last year. The overall gross profit margin increased by 4.3 percentage points to 27.8%. The increase in overall gross profit and gross profit margin were mainly attributable to the following reasons: (i) the subsidiaries located in areas affected by the 5.12 Wenchuan Earthquake, other than Bei Chuan County Zhongmin Gas Co., Ltd. and Mian Zhu City Han Wang Natural Gas Co., Ltd., the affected subsidiaries have basically resumed gas supply to a level near or above that before the earthquake. The resumption of business operation of the affected subsidiaries has provided certain contributions to the Group's overall gross profit; (ii) higher number of local customers who opt for LNG following the completion of and the subsequent commencement of operation of the Fujian LNG Project, this led to the increase in connection fee income which is of higher gross margin; and (iii) the lower purchase price of LPG for the period as compared to the corresponding period last year resulted from the drop in international crude oil prices earlier this year, and the lag between such decrease in purchase price and the adjustment to selling price that contributed to the growth in gross profit margin.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2009, the total assets of the Group was approximately HK$1,854,957,000, and current liabilities, long-term liabilities, shareholders' equity and minority interests were approximately HK$509,418,000, HK$213,018,000, HK$883,659,000 and HK$248,862,000 respectively.

As at 30 September 2009, the Group's cash and cash equivalents amounted to approximately HK$344,860,000 (31 March 2009: approximately HK$176,952,000), and the total borrowings were equivalent to approximately HK$341,063,000 (31 March 2009: approximately HK$320,161,000). The debt-to-capitalization ratio, representing the ratio of total borrowings to total borrowings and capital (excluding minority interests), was 27.8% (31 March 2009: 28.6%).

BORROWING STRUCTURE

As at 30 September 2009, the total borrowings of the Group were approximately HK$341,063,000 (31 March 2009: approximately HK$320,161,000), which mainly comprised domestic bank loans denominated in Renminbi of the project companies in the PRC. The borrowings were applied to gas pipeline construction, general working capital and for operating expenses, carried interest at fixed rate or the interest rate announced by PBOC. Apart from the loans with an amount equivalent to approximately HK$220,084,000 which were secured by certain assets with a carrying amount of approximately HK$219,985,000, others were unsecured. Short-term borrowings amounted to approximately HK$147,125,000, while others were long-term loans due after 1 year.

CAPITAL STRUCTURE

The Group's long-term capital comprises shareholders' equity and debt, that is confirmed by the sound debt-to-capitalization ratio discussed in the section headed "Liquidity and capital resources" above.

EXPOSURE TO FOREIGN EXCHANGE RISK

All of the Group's operation 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 no material fluctuation. The Group will closely monitor the market exchange rates and make appropriate adjustment when necessary.

NEW PROJECTS AFTER BALANCE SHEET DATE

Acquisition of 75% equity interest in Longyan Chang Ning

In September 2009, Longyan An Ran Gas Co., Ltd ("Longyan An Ran"), a subsidiary of the Group, entered into two respective equity transfer agreements with two independent third parties, pursuant to which, Longyan An Ran acquired 75% equity interests in Longyan City Chang Ning Gas Co., Ltd ("Longyan Chang Ning") at an aggregate consideration of RMB28,500,000 (approximately HK$32,399,000). The transactions were completed in November 2009. Longyan Chang Ning is an enterprise engaging in urban gas fuel business in Longyan City, Fujian Province, the PRC, with a registered capital of RMB10,000,000. Its scopes of operation are to co-ordinate the construction and operation of fuel gas pipeline networks in the south-western area of the city center of Longyan and the planning zone of San Hua City Garden (三華城市花園), to store and sell liquefied gas, and to sell auxiliary gas equipments. Such scopes of operation and approved operations are subject to the approval from the relevant authorities. The acquisition of Longyan Chang Ning will further enhance and consolidate the local market share, thereby promoting the development of the Group's piped gas fuel business.

Acquisition of pipeline assets in Longhai City Jiaomei County Longchi Economic Development Zone

On 31 October 2009, Zhangzhou An Ran Gas Co., Ltd. ("Zhangzhou An Ran"), an effective 51% owned subsidiary of the Group, entered into an asset acquisition agreement with independent third party in which Zhangzhou An Ran agreed to acquire certain pipeline assets located in Longhai City Jiaomei County Longchi Economic Development Zone in Fujian Province at a consideration of RMB7,000,000 (equivalent to approximately HK$7,958,000). As at the date of this announcement, the transaction has yet to be completed.

PROSPECTS

Piped gas fuel business

As the adverse effect of the financial crisis, China's economic development suffered a slight slowdown, however the economic stimulating policies and measures launched by the PRC government has secured a relatively fast but steady economic growth with a national GDP of RMB21,781.7 billion for the first three quarters of 2009, representing an increase of 7.7% as compared to the corresponding period last year. Given that the continuing development of the macro-economy is very likely to boost the demand for energy resources including natural gas, the outlook for the natural gas industry is promising.

In May 2009, the State Council of the PRC announced "Several Opinions of the State Council of the PRC on Supporting Fujian Province to Accelerate the Construction of the Economic Zone on the West Coast of the Straits", in which the State Council affirmed the strategic position of the Economic Zone on the West Coast of the Straits and indicated that accelerating the construction of such economic zone in Fujian Province has its important meaning. The economic development on the West Coast will surely speed up and the demand for energy resources in those areas will have a substantial increase. With the completion and operation of LNG projects in Fujian, the shortage of gas fuel energy in the Fujian region can be gradually relieved and the piped gas fuel business of the Group in the region will also step into a new stage.

In future, it is anticipated that following the completion and the subsequent operation of large-scale natural gas projects such as the gas transmission from West to East project and coastal LNG reception project, the extensive development of the natural gas industry in China will secure the supply of natural gas. Meanwhile, as the government deepened the reformation of natural gas pricing mechanism and announced the direction of the national green energy development strategies and policies, it is believed that China's natural gas industry will continue its rapid development and more opportunities will be brought to the piped gas fuel business of the Group.

LPG business

Due to the shortage of natural gas supply in Yunnan, Guizhou and the south-western regions of Hunan Province, it is expected that LPG will continue to be a major energy resource used as urban gas fuel for a relatively long period. Since the commencement of the LPG business, the Group has not only maintained a steady upstream supply of LPG, but has also explored new markets actively and established its downstream end-user sales markets. The Group has now developed a business operation model integrating transportation, distribution and bottle retails of LPG. The LPG business is coming of age as it has gained a foothold within its areas of coverage and has a relatively stable customer groups.

The Group will continue to perfect the operation system of its LPG business and expand the bottled LPG retail market that has a higher profit margin. By leveraging on its competitive edge, the Group will strive for the realization of economies of scale in areas it stations. The Group believes that through the continuous improvement in service quality, the Group's reputation can be further enhanced and thus the LPG business will have greater contributions to the Group's results.

Lottery business

Although the Chinese economy has been affected by the financial crisis, the development of lottery industry in the PRC maintained its momentum. According to statistics from China's Ministry of Civil Affairs, total sales of the national welfare lottery reached RMB54.69 billion for the first three quarters of 2009, a leap of 23% as compared to the corresponding period last year. Results of other statistics from the National Bureau of Statistics revealed that for the first three quarters of 2009, the per capita disposable income of urban population in China was RMB12,973, recording a year-on-year increase of 9.3%. Meanwhile, the promulgation and implementation of "Regulations on Management of Lottery" actively supported the regulated development of China's lottery market. Recently, the news of big lottery prize winners has promoted the purchase of lottery among people and opened a new chapter in the lottery development in China. The formal approval of Yongheng Lecai's lottery business will bring in remarkable returns on investment and abundant cash flow for the Group.

Looking forward, the Group will continue to expand the piped gas fuel market, steadily increase the number of customers connected and the sales volume; continue to perform in-depth development of LPG business and constantly open up market for and scale of the LPG business under the direction of the Group's diversification development strategy. Meanwhile, the Group will also make active efforts to gain government's approval for the lottery business as early as possible so as to realize the diversification development strategy of the Group, with an aim to creating greater values and returns on investment for all shareholders and investors.

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

For the six months ended 30 September 2009, 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 Statements.

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, 18 December 2009