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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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2010

FINANCIAL AND BUSINESS HIGHLIGHTS

- Turnover for the year 2010 was approximately HK$706.3 million, representing an increase of approximately HK$126.7 million (21.9%) as compared HK$579.5 million for year 2009.

- Gross profit margin increased by 6.9% to 29.8%.

- Profit attributable to owners of the Company for year 2010 significantly increased to approximately HK$300.6 million, representing an increase of HK$264.7 million (737.3%) over year 2009.

- The Group completed the disposal of 49% equity interest in Fujian An Ran at an aggregate consideration of approximately HK$415.7 million. The Group recorded a gain from disposal of approximately HK$257.2 million.

- Basic earnings and diluted per share for year 2010 was HK$7.36 cents (2009 : HK$0.88 cents).

- The debt-to-capitalisation ratio, representing the ratio of total borrowings to total borrowings and owners' equity, was 18.3% (2009: 33.6%).

* *For identification purposes only*

- Net cash generated from operating activities amounted to approximately HK$167.7 million, representing an increase of 66.2% from the last year.
- Net cash generated from investing activities amounted to approximately HK$108.8 million resulting from the disposal of Fujian An Ran, while net cash of HK$172.9 million used in investing activities last year.
- Due to the redemption of convertible notes, net cash used in financing activities amounted to approximately HK$137.6 million, while net cash of HK$77.2 million generated from financing activities last year.
- Cash and cash equivalent at 31 March 2010 increased to approximately HK$316.2 million, representing an increase of 78.7% from the last year.

The board (the "Board") of directors (the "Directors") of Chinese People Holdings Company Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010 together with the comparative figures for the corresponding year of 2009 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	**2010** ***HK$'000***	2009 *HK$'000* (Restated)
Turnover	*3*	**706,250**	579,510
Cost of sales		**(495,920)**	(446,970)
Gross profit		**210,330**	132,540
Other operating income	*5*	**11,376**	4,133
Administrative expenses		**(123,946)**	(125,295)
Discount on acquisition of additional interests in a subsidiary		**–**	216
Gain on disposal of subsidiaries		**257,189**	–
Impairment loss recognised in respect of trade and other receivables		**(20,534)**	(3,288)
Loss on disposal of an associate		**–**	(1,459)
Loss on fair value changes of convertible notes		**(2,118)**	(4,496)
Equity-settled share-based payments		**–**	(1,666)
Reversal of impairment loss recognised in respect of earthquake		**–**	65,002
Share of results of associates		**4,564**	5,196
Loss on fair value changes of financial assets at fair value through profit or loss		**–**	(7,507)
Finance costs	*6*	**(6,855)**	(12,093)
Profit before tax	*7*	**330,006**	51,283
Income tax expense	*8*	**(20,248)**	(12,046)
Profit for the year		**309,758**	39,237

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 March 2010

	Notes	**2010**	2009
		HK$'000	*HK$'000*
			(Restated)
Other comprehensive income (expense) for the year			
Exchange differences arising on translation of foreign operations		**2,436**	13,434
Exchange reserve realised on disposal of subsidiaries		**(14,388)**	–
Gain (loss) on fair value changes of available-for-sale financial assets		**6,616**	(69,014)
Revaluation surplus on property, plant and equipment upon reclassification to investment properties		**–**	454
Other comprehensive expense for the year		**(5,336)**	(55,126)
Total comprehensive income (expense) for the year		**304,422**	(15,889)
Profit for the year attributable to:			
Owners of the Company		**300,614**	35,902
Minority interests		**9,144**	3,335
		309,758	39,237
Total comprehensive income (expense) attributable to:			
Owners of the Company		**295,278**	(19,224)
Minority interests		**9,144**	3,335
		304,422	(15,889)
		HK cents	HK cents
Earnings per share – basic and diluted	*10*	**7.36**	0.88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**635,370**	765,802
Investment properties		**7,024**	11,458
Prepaid lease payments		**29,493**	37,682
Goodwill		**93,113**	169,065
Intangible assets		**101,983**	140,271
Interests in associates		**63,647**	56,342
Available-for-sale financial assets		**38,567**	32,291
Deposit paid on acquisition of property, plant and equipment		**4,891**	2,483
		974,088	1,215,394
Current assets			
Inventories		**26,843**	34,770
Trade and other receivables	*11*	**91,569**	102,445
Other loan to a shareholder of an associate	*12*	**41,000**	–
Amount due from a joint venturer	*13*	**23,298**	–
Prepaid lease payments		**699**	814
Pledged bank deposits		**8,076**	–
Bank balances and cash		**316,191**	176,952
		507,676	314,981
Current liabilities			
Trade and other payables	*14*	**203,283**	241,633
Tax liabilities		**57,022**	58,123
Amounts due to associates		**11,389**	34,458
Bank borrowings – due within one year		**92,663**	145,839
Convertible notes		**–**	162,374
		364,357	642,427
Net current assets (liabilities)		**143,319**	(327,446)
Total assets less current liabilities		**1,117,407**	887,948

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2010

	2010	2009
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**285,756**	285,756
Reserves	**642,850**	347,572
Equity attributable to owners of the Company	**928,606**	633,328
Minority interests	**64,041**	68,810
Total equity	**992,647**	702,138
Non-current liabilities		
Bank borrowings – due after one year	**110,407**	164,102
Deferred tax liabilities	**14,353**	21,708
	124,760	185,810
	1,117,407	887,948

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Surplus reserve fund HK$'000	Capital contribution HK$'000	Share-based compensation reserve HK$'000	Property revaluation reserve HK$'000	Investment valuation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2008	285,763	615,526	2,182	89,800	9,093	7,482	34,375	–	–	105,522	(498,847)	650,896	66,089	716,985
Profit for the year	–	–	–	–	–	–	–	–	–	–	35,902	35,902	3,335	39,237
Other comprehensive income (expense) for the year	–	–	–	–	–	–	–	454	(69,014)	13,434	–	(55,126)	–	(55,126)
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	454	(69,014)	13,434	35,902	(19,224)	3,335	(15,889)
Share repurchased and cancelled	(7)	(3)	–	–	–	–	–	–	–	–	–	(10)	–	(10)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(614)	(614)
Appropriations	–	–	–	–	5,095	–	–	–	–	–	(5,095)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	1,666	–	–	–	–	1,666	–	1,666
Effect on share options forfeited	–	–	–	–	–	–	(326)	–	–	–	326	–	–	–
At 31 March 2009 and 1 April 2009	285,756	615,523	2,182	89,800	14,188	7,482	35,715	454	(69,014)	118,956	(467,714)	633,328	68,810	702,138
Profit for the year	–	–	–	–	–	–	–	–	–	–	300,614	300,614	9,144	309,758
Other comprehensive income (expense) for the year	–	–	–	–	–	–	–	–	6,616	(11,952)	–	(5,336)	–	(5,336)
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	–	6,616	(11,952)	300,614	295,278	9,144	304,422
Acquisition of a jointly controlled entity	–	–	–	–	–	–	–	–	–	–	–	–	4,587	4,587
Disposal of in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(17,388)	(17,388)
Appropriations	–	–	–	–	5,829	–	–	–	–	–	(5,829)	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(1,112)	(1,112)
Effect on share options forfeited	–	–	–	–	–	–	(436)	–	–	–	436	–	–	–
At 31 March 2010	285,756	615,523	2,182	89,800	20,017	7,482	35,279	454	(62,398)	107,004	(172,493)	928,606	64,041	992,647

Notes:

1. GENERAL INFORMATION

The Company is an investment holding company. Its subsidiaries principally engage in the sale and distribution of natural gas and liquefied petroleum gas ("LPG") (collectively referred to as "Gas Fuel") in the People's Republic of China (the "PRC") including the sale of LPG in bulk and in cylinders, the provision of piped LPG and natural gas, construction of gas pipelines, the operation of city gas pipeline network and the sale of LPG.

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation ("INT") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – INT 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First – time Adopters[6]

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures) (Continued)

HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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 and 1 January 2010, as appropriate.*
3 *Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*
4 *Effective for annual periods beginning on or after 1 January 2010.*
5 *Effective for annual periods beginning on or after 1 February 2010.*
6 *Effective for annual periods beginning on or after 1 July 2010.*
7 *Effective for annual periods beginning on or after 1 January 2011.*
8 *Effective for annual periods beginning on or after 1 January 2013.*

The application of HKFRS 3 (Revised) may affect the 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 a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 April 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER

Turnover represents the fair value of the consideration received or receivable and represents amounts receivable for goods and services in the normal course of business, net of discounts and sales related taxes. An analysis of the Group's turnover is as follows:

	2010	2009
	HK$'000	*HK$'000*
Provision of piped Gas Fuel	**450,950**	312,141
Transportation, distribution and retail of bottled LPG	**255,300**	267,369
	706,250	579,510

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board (being the chief operation decision maker ("CODM")) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify 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 redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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.

4. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended 31 March

	Provision of piped Gas Fuel		Transportation, distribution and retail of bottled LPG		Consolidation	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**450,950**	312,141	**255,300**	267,369	**706,250**	579,510
Segment profits	**368,039**	91,197	**8,710**	15,568	**376,749**	106,765
Unallocated income					**2,566**	2,852
Unallocated corporate expenses					**(24,906)**	(33,776)
Loss on fair value changes of convertible notes					**(2,118)**	(4,496)
Loss on fair value changes of financial assets at FVTPL					**–**	(7,507)
Loss on disposal of an associate					**–**	(1,459)
Equity-settled share-based payments					**–**	(1,666)
Impairment loss recognised in respect of trade and other receivables					**(19,994)**	(2,533)
Finance costs					**(6,855)**	(12,093)
Share of results of associates					**4,564**	5,196
Profit before tax					**330,006**	51,283

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 fair value changes of financial assets at fair value through profit or loss ("FVTPL"), loss on disposal of an associate, equity-settled share based payments, impairment loss recognised in respect of trade and other receivables, share of results of associates and finance costs. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

Segment assets

	2010	2009
	HK$'000	*HK$'000*
Provision of piped Gas Fuel	**826,846**	1,045,350
Transportation, distribution and retail of bottled LPG	**133,489**	139,953
Total segment assets	**960,335**	1,185,303
Unallocated	**521,429**	345,072
Consolidated assets	**1,481,764**	1,530,375

Segment liabilities

	2010	2009
	HK$'000	*HK$'000*
Provision of piped Gas Fuel	**189,207**	244,157
Transportation, distribution and retail of bottled LPG	**24,781**	20,685
Total segment liabilities	**213,988**	264,842
Unallocated	**275,129**	563,395
Consolidated liabilities	**489,117**	828,237

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than investment properties, interests in associates, available-for-sale financial assets, bank balances and cash and assets used jointly by reportable segments.

– all liabilities are allocated to reportable segments other than tax liabilities, bank borrowings, convertible notes, deferred tax liabilities and liabilities for which reportable segments are jointly liable.

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Other segment information

For the year ended 31 March

	Provision of piped Gas Fuel		Transportation, distribution and retail of bottled LPG		Unallocated		Consolidation	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in measure of segment profit or loss or segment assets								
Depreciation	**9,921**	15,058	**3,601**	3,188	**4,512**	1,986	**18,034**	20,232
Loss (gain) on disposal of property, plant and equipment	**2,113**	787	**(198)**	3	**(8)**	–	**1,907**	790
Amortisation of prepaid lease payments	**649**	569	**233**	232	**–**	–	**882**	801
Amortisation of intangible assets	**4,699**	4,867	**517**	515	**–**	–	**5,216**	5,382
Impairment loss recognised in respect of trade and other receivables	**231**	755	**309**	–	**19,994**	2,533	**20,534**	3,288
Reversal of impairment loss recognised in respect of trade and other receivables	**(33)**	(25)	**–**	(7)	**(398)**	–	**(431)**	(32)
(Gain) loss on fair value changes of investment properties	**(1,160)**	454	**–**	–	**–**	–	**(1,160)**	454
Capital expenditure in respect of prepaid lease payments	**5,707**	4,639	**–**	699	**–**	–	**5,707**	5,338
Capital expenditure in respect of property, plant and equipments	**127,333**	172,552	**5,797**	1,668	**22,406**	1,449	**155,536**	175,669
Capital expenditure in respect of intangible assets	**995**	–	**–**	–	**–**	–	**995**	–
Deposits paid for property, plant and equipment	**4,321**	1,902	**570**	581	**–**	–	**4,891**	2,483
Discount on acquisition of additional interests in a subsidiary	**–**	(216)	**–**	–	**–**	–	**–**	(216)
Reversal of impairment loss recognised in respect of earthquake	**–**	(65,002)	**–**	–	**–**	–	**–**	(65,002)
Gain on disposal of subsidiaries	**(257,189)**	–	**–**	–	**–**	–	**(257,189)**	–
Loss on disposal of an associate	**–**	–	**–**	–	**–**	1,459	**–**	1,459
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets								
Interest in associates	**32,784**	50,352	**–**	–	**30,863**	5,990	**63,647**	56,342
Share result of associates	**(7,046)**	(1,925)	**–**	–	**2,482**	(3,271)	**(4,564)**	(5,196)
Bank interest income	**(882)**	(540)	**(139)**	(49)	**(528)**	(826)	**(1,549)**	(1,415)
Finance cost	**471**	2,814	**768**	853	**5,616**	8,426	**6,885**	12,093
Income tax expense	**18,603**	8,101	**1,645**	3,945	**–**	–	**20,248**	12,046

4. **SEGMENT INFORMATION (Continued)**

Geographical information

The Group's operations and non-current assets are all located in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No information about major customer is presented as no single customer contributed over 10% of the total turnover of the Group during the years ended 31 March 2010 and 2009.

5. **OTHER OPERATING INCOME**

	2010	**2009**
	HK$'000	*HK$'000*
Bank interest income	**1,549**	1,415
Other loan interest income	**1,820**	–
Gain on fair value changes of investment properties	**1,160**	–
Exchange gain, net	**97**	–
Dividend income	**11**	362
Rental income from investment properties, net of outgoing *(Note a)*	**291**	253
Other rental income, net of outgoing *(Note b)*	**835**	88
Government grants *(Note c)*	**2,186**	–
Sales of gas appliance:		
– Income	**4,267**	5,506
– Cost of sales	**(3,486)**	(4,217)
	781	1,289
LPG cylinders trains rental, net of outgoing *(Note d)*	**237**	147
Waiver of trade payables	**1,333**	–
Reversal of impairment loss recognised in respect of trade and other receivables	**431**	32
Others	**645**	547
	11,376	4,133

5. OTHER OPERATING INCOME (Continued)

Notes:

(a) The amount represents net rental income generated from investment properties after deducting direct operating expenses of approximately HK$15,000 (2009: HK$13,000).

(b) The amount represents net rental income generated from other assets after deducting direct operating expenses of approximately HK$44,000 (2009: HK$26,000).

(c) The amount represents unconditional grants from the PRC government specifically for encouraging the Group's business development in Fujian Province, the PRC and one-off government grant for the Group's enlarged investment in a subsidiary.

(d) The amount represents net rental income generated from LPG cylinders trains after deducting direct operating expenses of approximately HK$73,000 (2009: HK$33,000).

6. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on convertible notes	**650**	3,120
Interest on other loans	**279**	272
Interest on bank loans wholly repayable within five years	**10,761**	19,209
Interest on bank loans wholly repayable after five years	**2,030**	807
	13,720	23,408
Less: amount capitalised in construction in progress *(Note)*	**(6,865)**	(11,315)
	6,855	12,093

Note: The borrowing costs have been capitalised at a rate of 6.53% – 8.21% per annum (2009: 6.53% to 8.21%).

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2010	2009
	HK$'000	*HK$'000*
Staff costs, including directors' and senior management's emoluments		
– Salaries, wages, allowances and benefits in kind	**52,077**	48,251
– Retirement benefits scheme contributions	**2,335**	2,587
– Equity-settled share-based payments	**–**	1,666
	54,412	52,504
Cost of inventories recognised as expenses	**464,763**	426,376
Auditor's remuneration	**1,800**	1,800
Depreciation of property, plant and equipment	**18,034**	20,232
Amortisation of prepaid lease payments	**882**	801
Amortisation of intangible assets	**5,216**	5,382
Loss on disposal of property, plant and equipment	**1,907**	790
Loss on fair value changes of investment properties	**–**	454
Exchange loss, net	**–**	866
Share of tax of associates (included in share of results of associates)	**1,157**	4,438

8 INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**–**	–
– Overprovision in prior years	**–**	(757)
– PRC Enterprise Income Tax	**23,103**	13,560
– Overprovision in prior years	**(2,137)**	–
Deferred tax liabilities:		
– Current year	**(718)**	(757)
	20,248	12,046

No provision for Hong Kong Profits Tax has been made since the Group had no assessable profit for the years ended 31 March 2010 and 2009.

Under the Law of the People's Republic of China 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% (2009: 15% to 25%) and the reduced tax rates for the relief period range from 7.5% to 12.5% (2009: 7.5% to 12.5%). The charge of PRC Enterprise Income Tax for the years has 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 Enterprise Income Tax Law can gradually transit to the new tax rate of 25% within 5 years after the enforcement of the new PRC Enterprise Income Tax 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 profits 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 profits 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.

9. DIVIDEND

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of basic and diluted earnings per share is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**300,614**	35,902
Shares	**Number of shares**	
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**4,082,224,554**	4,082,260,718

The computation of diluted earnings per share for the year ended 31 March 2009 do not assume the conversion of the Company's outstanding convertible notes as their exercise would result in an increase in earnings per share for year ended 31 March 2009.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the average market price of the Company's share for year ended 31 March 2010 and 2009.

The basic and the diluted earnings per share are the same.

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade and bill receivables	**29,814**	16,570
Less: Impairment loss recognised in respect of trade and bill receivables	**(805)**	(733)
	29,009	15,837
Other receivables	**86,111**	90,079
Less: Impairment loss recognised in respect of other receivables	**(23,551)**	(3,471)
	62,560	86,608
	91,569	102,445

The Group allows its trade customers with credit periods normally ranging from 30 days to 90 days 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 follows:

	2010	2009
	HK$'000	*HK$'000*
Current to 90 days	**18,711**	13,050
91 days to 180 days	**6,921**	1,518
Over 180 days	**3,377**	1,269
	29,009	15,837

11. TRADE AND OTHER RECEIVABLES (Continued)

(b) The movements in the impairment loss recognised in respect of trade and bill receivables are as follows:

	2010	2009
	HK$'000	*HK$'000*
At 1 April	**733**	856
Impairment loss recognised	**105**	–
Reversal of impairment loss recognised in previous years	**(33)**	(32)
Amount written-off as uncollectible	**–**	(111)
Exchange realignment	**–**	20
At 31 March	**805**	733

(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 31 March 2010, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$3,377,000 (2009: HK$1,269,000) 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$805,000 (2009: HK$733,000) 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.

11. TRADE AND OTHER RECEIVABLES (Continued)

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

	2010	2009
	HK$'000	*HK$'000*
Advances to third parties *(Note i)*	**–**	4,542
Amount due from a former associate *(Note ii)*	**3,418**	3,407
Interest receivable from a shareholder of an associate	**1,820**	–
Amount due from jointly controlled entities *(Note ii)*	**1,773**	–
Prepayments	**7,842**	7,867
Deposits paid/payment in advance to suppliers	**40,196**	45,707
Consideration receivable for the disposal of an associate	**–**	20,031
Others	**7,511**	5,054
	62,560	86,608

Notes:

(i) As at 31 March 2009, the advances to third parties were unsecured, interest free and repayable on demand. Before making any advances, the Group will understand the potential debtor's credit quality and defines its credit limits to debtors with an appropriate credit history. Credit limits attributed to debtors are reviewed regularly.

(ii) The balances due from a former associate/jointly controlled entities are unsecured, interest-free and repayable on demand

(e) The movements in the impairment loss recognised in respect of other receivables are as follows:

	2010	2009
	HK$'000	*HK$'000*
At 1 April	**3,471**	1,784
Impairment loss recognised	**20,429**	3,288
Reversal of impairment loss recognised in previous years	**(398)**	–
Amount written-off as uncollectible	**–**	(1,643)
Exchange realignment	**49**	42
At 31 March	**23,551**	3,471

Included in the impairment loss recognised are individually impaired other receivables with an aggregate balance of approximately HK$23,551,000 (2009: HK$3,471,000) 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.

12. OTHER LOAN TO A SHAREHOLDER OF AN ASSOCIATE

The balance represents loan advanced to a shareholder of an associate which is secured by 60% shareholding of the associate, carried interest rate at 5% per annum and repayable on 11 May 2010. The repayment date is extended to 11 May 2011. Details are set out in note 17(d).

13. AMOUNT DUE FROM A JOINT VENTURER

The balance due from a joint venturer is unsecured, interest-free and repayable on demand.

14. TRADE AND OTHER PAYABLES

The following is an analysis of major components of the balance with aged analysis of trade payables:

	2010	2009
	HK$'000	*HK$'000*
Trade payables, falling due in:		
Current to 90 days	**34,141**	19,851
91 to 180 days	**6,964**	6,011
Over 180 days	**11,849**	12,957
Trade payables	**52,954**	38,819
Deposits received from customers *(Note i)*	**90,547**	120,806
Convertible notes interest payable	**–**	910
Customer gas deposits and other deposits received	**9,864**	5,785
Gas fuel income received in advance	**16,621**	31,851
Other payable for the purchase of property, plant and equipment	**1,824**	5,247
Consideration payable for the acquisition of additional equity interests in a subsidiary	**–**	6,813
Other loans *(Note ii)*	**5,876**	10,220
Accrued charges and other payables	**25,597**	21,182
	203,283	241,633

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

Notes:

(i) Deposits received from customers represent the gas pipeline connection fee received but the pipelines have not yet been completed as at the end of the reporting period.

(ii) Other loans as at 31 March 2010 and 2009 were unsecured, interest bearing at rates ranging from 5.58% to 7.47% per annum and repayable within one year.

15. COMMITMENTS

	2010	2009
	HK$'000	*HK$'000*
Contracted for but not provided in the consolidated financial statements		
Capital expenditure in respect of:		
Investment in an associate	**22,784**	27,277
Commitments in respect of the acquisition of:		
Property, plant and equipment	**5,126**	110,145
	27,910	137,422

16. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings of the Group:

	2010	2009
	HK$'000	*HK$'000*
Property, plant and equipment	**11,005**	16,336
Investment properties	**4,665**	11,458
Intangible assets – exclusive rights of operations	**23,658**	51,461
Prepaid lease payments in respect of land use rights	**16,235**	22,415
	55,563	101,670

In addition to the above, the Group has also pledged its bank deposits and rights to receive fee income of certain subsidiaries in favour of banks to secure banking facilities granted to the Group as at 31 March 2010 and 2009 respectively.

17. EVENTS AFTER THE REPORTING PERIOD

(a) On 25 March 2010, the registered capital of Shenzhen Yongheng Lecai Technology Development Limited ("Yongheng Lecai"), an associate of the Group, was increased from RMB75,000,000 to RMB125,000,000 pursuant to the amendment of constitution documents. On 2 April 2010, capital contribution of RMB20,000,000 (equivalent to approximately HK$22,784,000) was made by the Group based on its 40% equity interest in Yongheng Lecai.

(b) In April 2010, the Group disposed the available-for-sale financial assets with carrying value of HK$32,100,000 as at 31 March 2010 at an aggregate consideration of HK$30,074,000.

(c) On 12 April 2010, the Company granted share options to a director, employee and consultant of the Group to subscribe for a total of 27,000,000 ordinary shares of HK$0.07 each at HK$0.385 per share in the capital of the Company under the share option scheme of the Company adopted on 13 October 2006. All grantees accepted the share options on the same date. The share options are exercisable commencing from the date of acceptance until 11 April 2013.

Out of the 27,000,000 share options granted, 2,000,000 share options were granted to Mr. Chu Kin Wang Peleus, a director of the Company. Details had been set out in the Company's announcement dated 12 April 2010.

(d) On 11 May 2010, the Company, as lender, has entered into a loan extension agreement with Yongheng Development Corporation Limited, a shareholder of the Group's associate, Yongheng Lecai, pursuant to which the Company has agreed to extend the repayment date of the total outstanding loan of HK$43,050,000 to 11 May 2011. Yongheng Development Corporation Limited shall pay interest on the total outstanding loan at the interest rate of 5% per annum during the extension period. Details had been set out in the Company's announcement dated 11 May 2010.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Without qualifying our opinion above, we draw attention to the fact that our report dated 10 July 2009 on the Group's consolidated financial statements for the year ended 31 March 2009, which form the basis for the comparative amounts presented in the current year's financial statements, was disclaimed in view of the significance of the limitations in the scope of our audit resulting from insufficiency of supporting documentation due to the lost of accounting books and records of certain subsidiaries of the Company as a result of the earthquake in Sichuan Province of the People's Republic of China. We were unable to express an opinion as to whether the opening net assets of the Group as at 1 April 2008 were fairly stated. Any adjustments to the opening net assets of the Group as at 1 April 2008 would have consequential impact on the profits of the Group for the year ended 31 March 2009. Accordingly, the comparative amounts of the consolidated statement of comprehensive income, consolidated statement of cash flows and the related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2009 may not be comparable with the amounts for the current year.

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2010	2009	Change
Items	***HK$'000***	*HK$'000*	*HK$'000*
Turnover:			
Provision of piped gas fuel	**450,950**	312,141	138,809
Transportation, distribution and retail of bottled LPG	**255,300**	267,369	(12,069)
Total	**706,250**	579,510	126,740
Gross profit:			
Provision of piped gas fuel	**172,234**	90,816	81,418
Transportation, distribution and retail of bottled LPG	**38,096**	41,724	(3,628)
Total	**210,330**	132,540	77,790

FINANCIAL HIGHLIGHTS (CONTINUED)

	For the year ended 31 March		
	2010	2009	Change
Items	***HK$'000***	*HK$'000*	*HK$'000*
Segment results:			
Provision of piped gas fuel *(note)*	**110,850**	26,195	84,655
Transportation, distribution and retail of bottled LPG	**8,710**	15,568	(6,858)
Total	**119,560**	41,763	77,797
Loss on fair value changes of convertible notes	**(2,118)**	(4,496)	2,378
Loss on fair value changes of financial assets at fair value through profit or loss	**–**	(7,507)	7,507
Reversal of impairment loss recognised in respect of earthquake#	**–**	65,002	(65,002)
Gain on disposal of subsidiaries#	**257,189**	–	257,189
Equity-settled share-based payments	**–**	(1,666)	1,666
Other revenues & expenses (net)	**(44,625)**	(41,813)	(2,812)
Profit before taxation	**330,006**	51,283	278,723
Profit attributable to owners of the Company	**300,614**	35,902	264,712
Earnings per share			
Basic and diluted *(HK cents per share)*	**7.36**	0.88	6.48

Note: Exclude the items disclosed above with "#".

BUSINESS REVIEW

Provision of piped gas fuel business

Provision of piped gas fuel is the Group's major source of income. The Group has been dedicated to supplying piped gas fuel to urban household and commercial & industrial customers by constructing urban gas pipeline networks in the PRC.

During the reporting period, the Group further enhanced its image among its vast customers by strengthening its systematic management and improving its customer services. In addition, the Group worked closely with the central and local governments in the reconstruction following the 5.12 Wenchuan Mega Earthquake, as well as resumed and expanded the piped gas fuel business of its subsidiaries in the earthquake stricken areas by taking advantages of various tax benefits and preferential loan arrangements introduced by the governments. During the reporting period, following the completion of construction and the commencement of operation of Phase I of the Fujian Liquefied Natural Gas (LNG) Project, together with the commencement of the supply of LNG from Indonesia, the pressure on LNG supplies to Fujian Province was significantly relieved. This presented a great opportunity for the Group to expand the Fujian market by undergoing massive LNG replacement for its customers.

During the year ended 31 March 2010, the Group achieved piped gas fuel sales of 174.86 million cubic meters ("m^3") in total, representing a growth of 40.1% over the corresponding period last year. Among the total sales, 30.72 million m^3 of gas fuel were made to household customers and this represented a growth of 26.4% over the corresponding period last year; and 144.14 million m^3 of gas fuel were made to commercial & industrial customers, a growth of 43.5% over the corresponding period last year.

During the year ended 31 March 2010, the Group had an addition of 77,443 household customers and 248 commercial & industrial customers, up 186.7% and 16.4% respectively as compared to the corresponding period last year. As at the end of the reporting period, the Group had an accumulated number of connected household customers of 283,310 and commercial & industrial customers of 2,477, representing an increase of 37.6% and 11.1% respectively as compared to last year.

BUSINESS REVIEW (CONTINUED)

Provision of piped gas fuel business (Continued)

During the year ended 31 March 2010, the Group recorded a turnover of approximately HK$450,950,000 from the provision of piped gas fuel, representing an increase of 44.5% over the corresponding period last year. Turnover from the provision of piped gas fuel accounted for 63.9% of the turnover of the Group for the year. The dramatic increase in turnover was due to the simultaneous increase in both connection fee and gas fuel sales income. During the reporting period, Fujian Province commenced to receive Indonesian LNG. The Indonesian LNG relieved the local gas fuel resources shortage. The competitive price of the Indonesian LNG stimulated the demand for such clean energy, resulting in a boost to the number of connected customers and thus the turnover. The subsidiaries of the Group, which were previously affected by the 5.12 Wenchuan Mega Earthquake, had shown continuous improvements after the restoration of gas supply and the local reconstruction works were in smooth progress.

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

The Group's business of transportation, distribution and retail of bottled LPG commenced in 2007. After three years of development, the business has become one of the Group's principal businesses and maintained its growth momentum. In 2009, the Group employed various marketing approaches to expand its LPG business in various regions and increase its market shares. It also strengthened the centralized management of the retail network and enhanced its brand image, thereby promoting the rapid growth of the Group's LPG business.

During the year ended 31 March 2010, sales of LPG by the Group reached 49,626 tons in total, representing a growth of 7.9% over the corresponding period last year, and the Group realized an income from sales of LPG of approximately HK$255,300,000, representing a decrease of 4.5% over the corresponding period last year. Income from the transportation, distribution and retail of bottled LPG accounted for approximately 36.1% of the turnover. The increase in sale volume of LPG was due to (1) the decrease in LPG selling price and thus the growth in demand; (2) the organic growth of the existing LPG markets; and (3) the expansion into new markets such as Zhijiang county, Hunan Province. During the reporting period, the LPG selling price showed violent fluctuations, hence the increase in sales volume was completely offset by the effect of the changes in LPG selling price, resulting in an overall decrease in turnover.

BUSINESS REVIEW (CONTINUED)

Lottery agency 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 Yongheng Lecai Technology Development Company Limited ("Yongheng Lecai"), in Shenzhen, the PRC. The registered capital of Yongheng Lecai is RMB75,000,000, of which RMB30,000,000 was contributed by Beijing Zhongmin, which held 40% equity interest in Yongheng Lecai.

On 25 March 2010, the registered capital of Yongheng Lecai was further increased from RMB75,000,000 to RMB125,000,000 according to the amended constitution documents of Yongheng Lecai. On 2 April 2010, contributions have been made on a pro-rata basis as to RMB30,000,000 (equivalent to approximately HK$34,176,000) by Shenzhen Yongheng and as to RMB20,000,000 (equivalent to approximately HK$22,784,000) by Beijing Zhongmin.

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) and the research, development and manufacturing of video lottery machines (license for manufacturing site to be applied). On 8 December 2009, Yongheng Lecai entered into a letter of intent with Shenzhen Welfare Lottery Issuing Centre（深圳市福利彩票發行中心）. Pursuant to the letter of intent, Yongheng Lecai will act as an agent to sell the computer welfare lottery Kuai2 (快2) Game in Shenzhen. The application was pending approval and the lottery business of the Group has yet to commence operation as at the date of this report.

On 11 May 2009, the Company entered into a loan agreement with Yongheng Development Corporation Limited ("Yongheng Development"), pursuant to which the Company agreed to provide a loan in an amount of HK$41,000,000 to Yongheng Development. The loan was used to pay up the registered capital of Yongheng Lecai. Yongheng Development holds 100% equity interest in Shenzhen Yongheng, which in turn holds 60% interest in Yongheng Lecai.

On 11 May 2010, the Company entered into a loan extension agreement with Yongheng Development, pursuant to which the Company has agreed to extend the repayment date of the total outstanding loan amounted to HK$43,050,000, being (i) the principal amount of the loan of HK$41,000,000 and (ii) HK$2,050,000, being the interest accrued from 12 May 2009 to 11 May 2010 at an interest rate of 5% per annum, to 11 May 2011.

NEW PROJECTS DURING THE REPORTING PERIOD

Acquisition of 75% equity interest in Longyan Changning

In September 2009, Longyan An Ran Gas Co., Ltd ("Longyan An Ran"), a jointly controlled entity of the Group, entered into two respective equity transfer agreements with two independent third parties, pursuant to which Longyan An Ran acquired 75% equity interest in Longyan City Changning Gas Co., Ltd ("Longyan Changning") at an aggregate consideration of RMB28,500,000 (approximately HK$32,467,000). Longyan Changning 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 coordinate the construction and operation of gas fuel 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 involving operations that require license are subject to the approval from the relevant authorities. The acquisition of Longyan Changning will further enhance and consolidate the Group's local market share, thereby promoting the development of the Group's piped gas fuel business.

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

On 31 October 2009, Zhangzhou An Ran Gas Co., Ltd. ("Zhangzhou An Ran"), a jointly controlled entity of the Group, entered into an asset acquisition agreement with an independent third party, pursuant to which Zhangzhou An Ran agreed to acquire certain pipeline assets located in the Longchi Economic Development Zone in Jiaomei County, Longhai City, Fujian Province at a consideration of RMB7,000,000 (equivalent to approximately HK$7,974,000).

BUSINESS DISPOSED DURING THE REPORTING PERIOD

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: 00384), pursuant to which the Company transferred 100% 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 shall inject RMB80 million (equivalent to approximately HK$91.1 million) to Fujian An Ran upon completion of the sale and purchase agreement. On the same day, Beijing Zhongmin 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 3.55% equity interest held by it in Fujian An Ran at a cash consideration of RMB40 million (equivalent to approximately HK$45.6 million). Upon the completion of the sale and purchase agreement and the equity transfer agreement, according to the memorandum of association of Fujian An Ran, the Group holds 51% of the equity interest of Fujian An Ran and 4 out of 7 directors of Fujian An Ran are appointed by the Group. Furthermore, 4 out of 7 shareholders' representatives of Fujian An Ran are appointed by the Group. Hence the Group controls approximately 57% of the voting power in the board of directors meeting and shareholders meeting. As all the major decisions made in the board of directors meeting and shareholders meeting of Fujian An Ran require at least 2/3 votes from all of the directors and shareholders' representatives, Fujian An Ran is accounted for as a jointly controlled entity. The Group continues to benefit from the profits contribution by the Fujian An Ran Group.

The Group recorded a gain from disposal of approximately HK$257.2 million. 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, while the balance will 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 and segment results

During the year ended 31 March 2010, the Group realised a gross profit from operating activities of approximately HK$210,330,000 (2009: HK$132,540,000), representing an increase of 58.7% as compared with last year. The Group's overall gross profit margin was 29.8%, representing an increase of 6.9% as compared with last year. In terms of segment results, total profit surged to approximately HK$119,560,000 (or increased by 186.3%). Those increases were mainly attributable to the following reasons:

Provision of piped gas fuel business

Gross profit margin of the provision of piped gas fuel business was 38.2%, representing an increase of 9.1% when compared with the corresponding period last year. As a result of the increase in the number of connected customers and the completion of construction and the commencement of operation of Phase I of the Fujian LNG project during the reporting period, the connection fee income increased. The profit margin of connection fee was higher than that of sales of piped gas, resulting in a boost to the gross profit margin and hence the turnover and the segment results. The gradual recovery of the subsidiaries affected by the 5.12 Wenchuan Mega Earthquake had also contributed profits to the Group.

Transportation, distribution and retail of bottled LPG business

Gross profit margin was fairly stable and maintained at around 15-16% in both years. The decrease in segment results was mainly due to the increase in staff costs and setting up more sales points in order to increase market shares.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2010, the total assets of the Group was approximately HK$1,481,764,000, and current liabilities, long-term liabilities, owners' equity and minority interests amounted to approximately HK$364,357,000, HK$124,760,000, HK$928,606,000 and HK$64,041,000 respectively.

As at 31 March 2010, the Group's cash and cash equivalents, including pledged deposits, amounted to approximately HK$324,267,000 (2009: approximately HK$176,952,000), and the total borrowings were equivalent to approximately HK$208,946,000 (2009: approximately HK$320,161,000). The debt-to-capitalization ratio, representing the ratio of total borrowings to borrowings and owners' equity, was 18.3% (2009: 33.6%).

On 30 May 2006, the Company entered into a subscription agreement (the "Subscription Agreement") with Indopark Holdings Limited, an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc., in respect of the issue of US$40,000,000 (equivalent to approximately HK$310,000,000) 2% convertible notes due in 2009. Pursuant to the terms of the Subscription Agreement, the convertible notes can be converted into shares at a conversion price of HK$0.60 per share (subject to adjustment) (the conversion price was reduced to HK$0.50 in July 2008). Unless previously redeemed, converted or purchased and cancelled, the convertible notes shall be redeemed by the Company at 106% of the principal amount on the third anniversary of the issue date. The interest of the convertible notes will be paid from the issue date at the rate of 2% per annum of the principal amount of the notes. On 15 June 2009, the Company redeemed the convertible notes with an outstanding principal amount of US$20,000,000 at 106% of (approximately HK$164,492,000 in aggregate) pursuant to the Subscription Agreement. All the convertible notes redeemed were cancelled immediately and Indopark Holdings Limited no longer held any convertible notes issued by the Company.

BORROWING STRUCTURE

As at 31 March 2010, the total borrowings of the Group were approximately HK$208,946,000 (2009: approximately HK$320,161,000), 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$115,579,000 which were secured by certain assets with a carrying amount of approximately HK$55,563,000, others were unsecured. Short-term borrowings amounted to approximately HK$98,539,000, while others were long-term borrowings due after 1 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 incomes and expenses are denominated in RMB. During the year ended 31 March 2010, the exchange rate of RMB had no material fluctuation. The Group will closely monitor the market exchange rates and make appropriate adjustment when necessary.

CAPITAL COMMITMENTS

As at 31 March 2010, the Group's capital commitments amounted to approximately HK$27,910,000, mainly attributable to the acquisition of property, plant and equipment and investment in an associate.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group had no material contingent liabilities.

PROSPECTS

Piped gas fuel business

In the past few years, despite the booming consumption of natural gas in the PRC, its share of the primary energy consumption was far below the global average at 3.4% in 2009, while the global average already reached 23.7% in 2004. In terms of natural gas, the per capita consumption in the PRC is way below that in developed countries, and even lower than many developing countries. Thus, the natural gas industry in the PRC represents great potential for development. In view of the relatively low level of urbanization in the PRC, it is believed that the process will speed up in the coming decades, resulting in the surge of urban population and hence the rapid growth in natural gas consumption in the PRC. As at the end of 2009, the PRC Government announced the target of reducing carbon dioxide emissions by 40%-45% in 2020 as compared with 2005 on a "per unit of GDP emission" basis. This reflected the PRC Government's commitment to develop a "low carbon" economy. Being a clean, efficient and environmental-friendly energy, natural gas will weight heavier in energy consumption. In light of this, the Group will procure the development of its piped fuel gas business by capturing the opportunities arising from the development of natural gas industry in the PRC.

LPG business

Given that LPG is one of the major energy resources in Yunnan, Guizhou and the south-western regions of Hunan Province in the PRC, it is expected that the LPG market will continue to be promising in the near future. However, after three years of operations, the Group has noted that the price of LPG is subject to violent fluctuation. To cope with the situation, the Group made great efforts to enhance its capability of LPG transportation by setting up a storage mechanism to mitigate the risk of changing price. In the meantime, the Group will further improve its sales and services in the LPG retail market by introducing a new sales and marketing model, actively expanding its sales network and upgrading its service quality to increase its market share and consolidate its brand influence. The Group will also fully utilize its well-established business operation model integrating transportation, distribution and retail for maximizing the earnings of the whole sales process as well as the profitability of the LPG business.

Lottery agency and equipment supply business

In 2009, total sales of lottery in the PRC recorded a 25% year-on-year increase to RMB132.479 billion; in the first quarter of 2010, the total sales reached RMB34.621 billion, representing an increase of RMB6.818 billion or 24.5% as compared with the corresponding period last year. The lottery market of the PRC continues to flourish in recent years. The new lottery game named "Kuai2 (快2)", which is currently available in Hainan Province, the PRC, has been well received by lottery lovers as the game features a high win rate and quick updates on lottery results. In three months' time since its launch in October 2009, "Kuai2" ranked first in term of sales among all lottery games in Hainan Province. The launch of "Kuai2" and video lottery not only caters for the mass lottery lovers, but also facilitates the rapid and healthy development of the lottery industry. The official launch of Yongheng Lecai's lottery business upon approval will bring remarkable returns on investment and abundant cash flow for the Group.

Looking forward, the Group will adopt different strategies to further the development of the piped gas fuel and LPG businesses and to enhance its influence in the regions and sectors where the Group operates, with the aim of strengthening its ability to respond to the ever-changing market and its competitive edge. Meanwhile, the Group will strive to diversify its businesses by urging the government to approve the operation of its lottery business in order to maximize the returns on investment for our shareholders and investors.

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 March 2010.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2010.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "Code") as stated in Appendix 14 to the Listing Rules. As far as the Code is concerned, the Company complies with all aspects of the Code.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at function room – Tin Hua & Lau Sin Rooms, Sixth Floor, L'Hotel Causeway Bay Harbour View Hong Kong, 18 King's Road, Causeway Bay, Hong Kong 11:00 a.m. on Friday, 3 September 2010.

As at the date of this announcement, the Board comprises six executive directors, namely, Mr. Xu Ruixin, Dr. Mo Shikang, Mr. Zhang Hesheng, Mr. Zhu Peifeng, Mr. Jin Song and Mr. Chu Kin Wang Peleus, and three independent non-executive directors, namely, Dr. Liu Junmin, Mr.Tan Qinglian and Mr. Sin Ka Man.

On behalf of the Board of
Chinese People Holdings Company Limited
Mr. Jin Song
Managing and Executive Director

Beijing, 23 July 2010