



CHINESE PEOPLE HOLDINGS COMPANY LIMITED

中民控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 681)

INTERIM RESULT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The board of directors (the “**Board**”) of Chinese People Holdings Company Limited (the “**Company**”) (formerly known as Chinese People Gas Holdings Company Limited) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2007 (the “**Period**”).

CHANGE OF COMPANY NAME TO REFLECT THE SCOPE AND DIRECTION OF OUR CORPORATE DEVELOPMENT

In order to reflect the current and future development of the scope and base of operations, the general meeting of the Company approved the change of the Company’s name to “Chinese People Holdings Company Limited” and the adoption of “中民控股有限公司” as the Chinese name of the Company on 27 September 2007 and the new name and Chinese name of the Company, for identification purpose only, are effective commencing from 12 October 2007 and 15 November 2007 respectively.

** for identification purpose only*

FINANCIAL HIGHLIGHT

For the six months ended
30.09.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	Changes <i>HK\$'000</i>
Turnover from continuing operations			
— Supply of natural gas and gas pipeline connection	209,504	297,603	(88,099)
— Transportation, distribution and retail of LPG	83,834	1,861	81,973
	<u>293,338</u>	<u>299,464</u>	<u>(6,126)</u>
Gross profit from continuing operations			
— Supply of natural gas and gas pipeline connection	46,760	123,266	(76,506)
— Transportation, distribution and retail of LPG	10,468	(124)	10,592
	<u>57,228</u>	<u>123,142</u>	<u>(65,914)</u>
Segment results from continuing operations			
— Supply of natural gas and gas pipeline connection	20,021	106,001	(85,980)
— Transportation, distribution and retail of LPG	3,705	(437)	4,142
	23,726	105,564	(81,838)
Other revenues and expenses, net	(19,418)	(8,560)	(10,858)
Change in fair value of convertible notes	(104,548)	57,905	(162,453)
Change in fair value of trading securities	132,000	—	132,000
Share based expense in respect to share option scheme	(23,998)	(505)	(23,493)
Profit before taxation	<u>7,762</u>	<u>154,404</u>	<u>(146,642)</u>

FINANCIAL HIGHLIGHT *(Continued)*

The aggregate turnover from continuing operations of the Group was approximately HK\$293,338,000, representing a decrease of 2.0% as compared with the corresponding period of last year. Due to the gas price hike in Fujian, the connection number of An Ran in Fujian during the reporting period decreased drastically, the connection fee income significantly less than the corresponding period of last year. As a result, the growth in the Group's turnover and the contribution to this segment results were both affected. However, the stress on the gas supply is expected to be alleviated as the offshore gas supply from Indonesia will be available in 2009.

Gross profit from continuing operations was approximately HK\$57,228,000, representing a decrease of 53.5% as compared with the corresponding period of last year. The drastic decrease in the Group's gross profit resulted from the significant drop in the income from connection fee, which commands a high profit margin.

SUPPLY OF GAS AND GAS PIPELINE CONNECTION BUSINESS

As aforementioned, the turnover recorded a decrease of 29.6% as compared with the corresponding period of last year that was influenced by the increase in the price of gas. The gross profit also dropped 62.1% to approximately HK\$46,760,000. This segment's result accounted for 84.4% of the Group's overall result.

TRANSPORTATION, DISTRIBUTION AND RETAIL OF LPG BUSINESS

During the reporting period, the transportation, distribution and retail of LPG business achieved turnaround, recorded a significant increase of 44 times in the turnover as compared with the corresponding period of last year. The gross profit also increased 85 times to approximately HK\$10,468,000. This segment's result accounted for 15.6% of the Group's overall result.

The unaudited profit attributable to equity holders of the Company for the Period was approximately HK\$4,424,000, represented a decrease of HK\$111,496,000 or 96.2% as compared to profit of approximately HK\$115,920,000 in last year for the corresponding period.

In the reporting period, there was loss in change in fair value of convertible notes of approximately HK\$104,548,000 (reversal of approximately HK\$162,453,000 when compared with the corresponding period of last year). Such loss was resulted from the remarkable increase in the share price of the Company and the conversion of shares by convertible note holders.

OPERATIONAL HIGHLIGHT

For the six months ended
30.09.

Items	2007	2006	Changes	Percentage of changes (%)
No. of projects	43	39	4	10
Gas	36	36	—	—
LPG distribution & retail	4	1	3	300
Others (<i>see Note</i>)	3	2	1	50
No. of connected (within the reporting period)	17,249	49,063	(31,814)	(65)
Household customers	17,160	44,619	(27,459)	(62)
Commercial and industrial customers	89	4,444	(4,355)	(98)
Accumulative no. of connected	199,856	160,172	39,684	25
Household customers	185,844	146,733	39,111	27
Commercial and industrial customers	14,012	13,439	573	4
Sales of piped gas (10,000 m³)	9,739	8,679	1,060	12
Household customers	2,081	1,349	732	54
Commercial and industrial customers	7,658	7,330	328	4
Sales of LPG (tons)	<u>22,557</u>	<u>356</u>	<u>22,201</u>	<u>6,236</u>

Note: “Zhongmin Zai Xian”, “Yan Bian Hua Xia” and “Yan Bian” Projects

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited)
Six months ended
30.09.

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> <i>(Restated)</i>
Continuing operations			
Turnover	2	293,338	299,464
Cost of sales		(236,110)	(176,322)
Gross profit		57,228	123,142
Other operating income		3,161	7,306
Loss on disposal of subsidiaries		—	(2,974)
General and administrative expenses		(52,763)	(37,476)
Share-based payment expenses		(23,998)	(505)
Change in fair value of convertible notes		(104,548)	57,905
Change in fair value of trading securities		132,000	—
Share of results of associates		3,896	25,812
Finance costs		(7,214)	(19,834)
Profit before taxation	3	7,762	153,376
Income tax	4	(2,528)	(23,397)
Profit for the period from continuing operations		5,234	129,979
Discontinued operation			
Profit for the period from discontinued operation		—	685
Profit for the period		5,234	130,664
Attributable to:			
Equity holders of the Company		4,424	115,920
Minority interest		810	14,744
Profit for the period		5,234	130,664
Dividend	5	—	—
Earnings per share			
From continuing and discontinued operations	6		
— Basic		0.12	3.97
— Diluted		0.11	3.13
From continuing operation			
— Basic		0.12	3.95
— Diluted		0.11	3.11

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30.09.2007 (Unaudited) HK\$'000	31.03.2007 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	7	679,895	615,764
Investment properties		7,385	7,237
Prepaid lease payments		29,191	27,470
Goodwill		227,206	225,050
Intangible assets		122,894	122,570
Interests in associates		89,743	84,138
Available-for-sale investments		11,837	11,601
		<u>1,168,151</u>	<u>1,093,830</u>
Current assets			
Inventories		17,284	23,562
Trade and other receivables	8	112,784	118,696
Amounts due from associates		12,875	16,150
Trading securities		162,000	—
Prepaid lease payments		480	594
Bank balances and cash		154,434	184,031
		<u>459,857</u>	<u>343,033</u>
Current liabilities			
Trade and other payables	9	148,111	149,550
Taxation payable		41,143	39,542
Bank borrowings			
— due within one year		123,600	106,238
Convertible notes		34,836	62,658
		<u>347,690</u>	<u>357,988</u>
Net current assets/(liabilities)		<u>112,167</u>	<u>(14,955)</u>
Total assets less current liabilities		<u>1,280,318</u>	<u>1,078,875</u>

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	30.09.2007 (Unaudited) <i>HK\$'000</i>	31.03.2007 (Audited) <i>HK\$'000</i>
Non-current liabilities		
Bank borrowings		
— due after one year	118,349	126,162
Convertible notes	191,704	348,316
Other payables		
— due after one year	7,210	7,066
Deferred tax liabilities	28,345	27,777
	<u>345,608</u>	<u>509,321</u>
	<u>934,710</u>	<u>569,554</u>
Capital and reserves		
Share capital	280,859	253,406
Reserves	587,008	250,115
	<u>867,867</u>	<u>503,521</u>
Equity attributable to equity holders of the Company	66,843	66,033
Minority interests	<u>934,710</u>	<u>569,554</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (UNAUDITED)

For the six months ended 30.09.2007

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Surplus reserve fund <i>HK\$'000</i>	Capital contribution <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Attributable to equity holders of the Company <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	201,989	164,699	2,182	89,800	2,629	7,482	7,056	3,113	(206,475)	272,475	4,713	277,188
Exchange difference arising on translation of foreign operations	—	—	—	—	—	—	—	6,924	—	6,924	—	6,924
Profit for the period	—	—	—	—	—	—	—	—	115,920	115,920	14,744	130,664
Total recognised income and expense for the period	—	—	—	—	—	—	—	6,924	115,920	122,844	14,744	137,588
Issue of shares upon exercise of share options	10,584	5,292	—	—	—	—	—	—	—	15,876	—	15,876
Acquisition of subsidiaries	—	—	—	(10,229)	—	—	—	—	—	(10,229)	83,460	73,231
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	(2,665)	(2,665)
At 30 September 2006	<u>212,573</u>	<u>169,991</u>	<u>2,182</u>	<u>79,571</u>	<u>2,629</u>	<u>7,482</u>	<u>7,056</u>	<u>10,037</u>	<u>(90,555)</u>	<u>400,966</u>	<u>100,252</u>	<u>501,218</u>
At 1 April 2007	253,406	297,782	2,182	89,800	4,483	7,482	10,912	23,680	(186,206)	503,521	66,033	569,554
Exchange difference arising on translation of foreign operations	—	—	—	—	—	—	—	16,597	—	16,597	—	16,597
Profit for the period	—	—	—	—	—	—	—	—	4,424	4,424	810	5,234
Total recognised income and expenses for the period	—	—	—	—	—	—	—	16,597	4,424	21,021	810	21,831
Issue of shares upon exercise of share options	5,404	29,812	—	—	—	—	(6,663)	—	—	28,553	—	28,553
Issue of shares upon conversion of convertible notes	22,049	266,933	—	—	—	—	—	—	—	288,982	—	288,982
Recognition of equity-settled share-based payment	—	—	—	—	—	—	23,998	—	—	23,998	—	23,998
Forfeited of share options	—	—	—	—	—	—	(309)	—	309	—	—	—
Capital contribution to a subsidiary	—	—	1,792	—	—	—	—	—	—	1,792	—	1,792
At 30 September 2007	<u>280,859</u>	<u>594,527</u>	<u>3,974</u>	<u>89,800</u>	<u>4,483</u>	<u>7,482</u>	<u>27,938</u>	<u>40,277</u>	<u>(181,473)</u>	<u>867,867</u>	<u>66,843</u>	<u>934,710</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Unaudited
Six months ended
30.09.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net cash generated from operating activities	35,241	13,392
Net cash used in investing activities	(100,706)	(145,878)
Net cash generated from financing activities	33,357	276,657
Net (decrease)/increase in cash and cash equivalents	(32,108)	144,171
Cash and cash equivalents at beginning of the period	184,031	132,986
Effect of foreign currency rates changes	2,511	—
Cash and cash equivalents at end of the period	<u>154,434</u>	<u>277,157</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>154,434</u>	<u>277,157</u>

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants. (the “**HKICPA**”). These condensed interim financial statements have been reviewed by the Audit Committee of the Company and were approved by the Board on 14 December 2007.

The condensed 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.

The accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2007.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretations (hereinafter collectively referred to as “**new HKFRSs**”), issued by the HKICPA, which are effective for the Group’s accounting periods beginning on 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: disclosures
HK(IFRIC) — Int 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of embedded derivatives
HK(IFRIC) — Int 10	Interim financial reporting and impairment

The application of these new HKFRSs did not have any material impact on how the financial statements of the Group are prepared and presented for the current or prior accounting period. Accordingly, no prior period adjustment has been recognised.

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

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasure Share Transactions ²
HK(IFRIC) — Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

The directors of the Company are in the process of determining whether these new and revised standards and interpretations will have any material impact on the financial statements of the Group.

2. TURNOVER AND SEGMENT INFORMATION

The Group's turnover and results for the six months ended 30 September 2007 and 2006 analysed by business segments are as follow. No segment information is presented in respect of the Group's geographical segments as the Group's principal activities are largely carried out in the PRC.

For the six months ended 30 September 2007 and 2006

	Continuing operations						Discontinued operation			
	Supply of natural gas and gas pipeline connection		Transportation, distribution and retail of LPG		Total		Glass Products		Consolidation	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)		(restated)		(restated)		(restated)
Turnover	<u>209,504</u>	<u>297,603</u>	<u>83,834</u>	<u>1,861</u>	<u>293,338</u>	<u>299,464</u>	<u>—</u>	<u>5,521</u>	<u>293,338</u>	<u>304,985</u>
Segment results	<u>20,021</u>	<u>106,001</u>	<u>3,705</u>	<u>(437)</u>	<u>23,726</u>	<u>105,564</u>	<u>—</u>	<u>967</u>	<u>23,726</u>	<u>106,531</u>
Unallocated other operating incomes and expenses									(16,100)	(12,516)
Change in fair value of convertible notes									(104,548)	57,905
Change in fair value of trading securities									132,000	—
Loss on disposal of subsidiaries									—	(2,974)
Share-based payment expenses									(23,998)	(505)
Finance costs									(7,214)	(19,849)
Share of results of associates									3,896	25,812
Profit before taxation									7,762	154,404
Taxation									(2,528)	(23,740)
Profit for the period									<u>5,234</u>	<u>130,664</u>

3. PROFIT BEFORE TAXATION

Profit from operations is arrived at after charging the following:

	(Unaudited) Continuing operations		(Unaudited) Discontinued operation		(Unaudited) Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
	Six months ended 30.09.					
Amortisation of intangible assets	2,179	1,598	—	—	2,179	1,598
Amortisation of prepaid land lease payment	310	202	—	13	310	215
Depreciation of property, plant and equipment	10,492	3,812	—	447	10,492	4,259
Total amortisation and depreciation	12,981	5,612	—	460	12,981	6,072
Total staff costs including directors' emoluments						
Salaries, wages, allowance and benefits in kind	17,499	15,588	—	153	17,499	15,741
Retirement benefits scheme contribution	868	799	—	19	868	818
Share-based payment expenses	23,998	505	—	—	23,998	505
	42,365	16,892	—	172	42,365	17,064

4. INCOME TAX IN THE INCOME STATEMENT

	(Unaudited) Six months ended 30.09.	
	2007 HK\$'000	2006 HK\$'000
Current tax		
Provision for PRC Enterprise Income Tax for the period	2,528	23,740
Attributable to:		
Continuing operations	2,528	23,397
Discontinued operation	—	343
	2,528	23,740

4. INCOME TAX IN THE INCOME STATEMENT (Continued)

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

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

Pursuant to the relevant law and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC Enterprise Income Tax for two years commencing from their respective first profit-making year of operation and thereafter, they are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years.

Certain of the Company's PRC subsidiaries are entitled to a preferential tax rate of 15% under the Western China Development policy.

5. DIVIDEND

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 September 2007 (2006: nil).

No dividend payable to equity shareholders of the Company attributable to the previous financial year, has been approved and paid during the interim period.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30.09.	
	2007	2006
	HK\$'000	HK\$'000 (restated)
Earnings for the period attributable to the equity holders of the Company	4,424	115,920
Profit for the period from discontinued operation attributable to equity holders	—	685
Earnings used in the calculation of basic earning from continuing operations	<u>4,424</u>	<u>115,235</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,830,786,091	2,922,804,000
Effect of dilutive potential ordinary shares: — share options	<u>89,202,054</u>	<u>786,513,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,919,988,145</u>	<u>3,709,317,000</u>

The computation of diluted earnings per share for the six months period ended 30 September 2007 does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share.

7. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment amounting to approximately HK\$67,382,000 (six months ended 30 September 2006: approximately HK\$401,387,000) including nil of those arising from acquisitions of business and subsidiaries (six months ended 30 September 2006: approximately HK\$394,327,000).

8. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 to 90 days to its customers.

The following is an aged analysis of trade receivable:

	30.09.2007 <i>HK\$'000</i>	31.03.2007 <i>HK\$'000</i>
0 — 3 months	18,246	14,002
4 — 6 months	1,037	847
6 — 12 months	1,348	1,325
Over 1 year	686	2,587
Trade receivable	21,317	18,761
Advances to third parties	12,273	5,275
Bill receivables	258	1,009
Deposit paid to/payment in advance to suppliers	52,282	33,894
Deposit paid for capital expenditures	1,639	15,140
Prepayment, deposits and other receivables	25,015	44,617
	112,784	118,696

The fair values of the Group's trade and other receivables at 30 September 2007 and 31 March 2007 approximated to the corresponding carrying amounts.

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payable:

	30.09.2007 <i>HK\$'000</i>	31.03.2007 <i>HK\$'000</i>
0 — 3 months	13,744	16,285
4 — 6 months	2,878	4,031
Over 6 months	23,846	21,889
Trade payable	40,468	42,205
Convertible notes interest payable	1,076	2,169
Deposit received from customers (<i>Note (i)</i>)	19,988	15,464
Gas fee income received in advance	17,460	12,506
Other payable for the purchase of property, plant and equipment	9,256	8,803
Accrued charges and other payables	59,863	68,403
	148,111	149,550

Note (i): Such deposit represented the gas pipeline connection fee received from customers but the pipelines have not yet been completed.

The fair values of the Group's trade and other payables at 30 September 2007 and 31 March 2007 approximated to the corresponding carrying amounts.

10. COMMITMENTS

Capital commitments outstanding at balance sheet date not provided for in the financial statements were as follows:

	30.09.2007 <i>HK\$'000</i>	31.03.2007 <i>HK\$'000</i>
Capital expenditure in respect of:		
investment in associates	9,888	9,690
investment in subsidiaries	—	16,150
Commitment in respect of the acquisition of the property, plant and equipment	303,850	297,769
	313,738	323,609

11. POST BALANCE SHEET EVENT

On 15 October 2007, an aggregate of 83,920,000 share options at the exercise price of HK\$0.514 were granted to the directors and eligible persons of the Company pursuant to the Company's 2006 Share Option Scheme adopted on 3 October 2006. As determined by an independent qualified valuer, Asset Appraisal Limited, the Company will incur one-off expenses of approximately HK\$5,062,000 for the grant of such share options. Such expense will be recognised as share-based payment expense in the consolidated income statement in the second half of the financial year.

Pursuant to a special resolution passed on 27 September 2007, the name of the Company was approved to change from "Chinese People Gas Holdings Company Limited" to "Chinese People Holdings Company Limited" with effect from 12 October 2007 and the Chinese name of "中民控股有限公司" (formerly known as "中民燃氣控股有限公司"), for identification purpose only, was adopted as the secondary name of the Company with effect from 15 November 2007.

On 24 October 2007, Fujian Province An Ran Gas Investment Company Limited (the "Seller"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Quanzhou City Gas Company Limited (the "Purchaser"), an independent third party of the Company, pursuant to which the Seller agreed to dispose its 51% interest in Dehuua Guang An Natural Gas Company Limited, an indirect wholly owned subsidiary of the Company, to the Purchaser at the cash consideration of RMB28,600,000 (equivalent to approximately HK\$29,458,000). The net proceeds of RMB28,600,000 (equivalent to approximately HK\$29,458,000) will be used for investment towards other businesses with higher potential profitability and for the Group's general working capital, as disclosed in the Company's announcement and circular dated 25 October 2007 and 14 November 2007 respectively.

On 2 November 2007, an aggregate of 1,300,000 share options at the exercise price of HK\$0.632 were granted to the eligible persons of the Company pursuant to the Company's 2006 Share Option Scheme adopted on 3 October 2006. As determined by an independent qualified valuer, Asset Appraisal Limited, the Company will incur one-off expenses of approximately HK\$110,000 for the grant of such share options. Such expense will be recognised as share-based employee expense in the consolidated income statement in the second half of the financial year.

On 3 December 2007, 11,331,197 shares of HK\$0.07 each were issued to the convertible note holder upon the partial conversion of the convertible note with total principal amount of approximately HK\$3,890,000 at a conversion price of HK\$0.3433 each.

12. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment.

BUSINESS REVIEW

Distribution and supply of piped gas

Supplying piped gas to household and commercial and industrial customers by gas pipeline networks is the principal business of the Group which is the Group's major source of income. During the reporting period, the Group achieved gas sales of 97.39 million cubic meters, representing an increase of 12% as compared with the corresponding period of last year. The sales of 20.81 million cubic meters of gas to household customers represented an increase of 54% as compared to the corresponding period of last year as well as the sales of 76.58 million cubic meters of gas to commercial and industrial customers, representing an increase of 4% as compared with the corresponding period last year. The Group realised an income from gas sales of approximately HK\$174,114,000, representing an increase of approximately 5% as compared with the corresponding period of last year. Income from sales of gas accounted for approximately 59% of the Group's overall turnover during the reporting period.

Gas pipeline connection

The Group is also engaged in the building and linking main gas pipelines networks as well as branch gas pipelines networks with households in cities whereby the Group charge for connection fee, which is another major source of income to the Group. During the reporting period, the connection work in a total number of 17,160 households customers and 89 commercial and industrial customers were completed by the Group, recorded a decrease of 62% and 98% from the corresponding period of last year, respectively. Connection fee income amounted to approximately HK\$35,390,000, representing a decrease of approximately 73% as compared with the corresponding period of last year, and accounted for approximately 12% of the Group's turnover during the reporting period.

As at 30 September 2007, the Group has connected 199,856 customers in total, representing an increase of 25% from the corresponding period of last year, in which 185,844 were household customers, representing an increase of 27% compared to the corresponding period of last year, and 14,012 were commercial and industrial customers, representing an increase of 4% from the corresponding period of last year.

Transportation, distribution and retail of LPG

Four project companies of the Group, namely Huaihua Zhongmin Gas Company Limited, Huaihua Zhongmin Petroleum Gas Supply Company Limited, Yunnan Zhongmin Gas Company Limited and Guizhou Zhongmin Gas Company Limited, are engaged in the transportation, distribution of liquefied petroleum gas ("LPG") as well as retail of bottled LPG. During the reporting period, the sales of LPG by the Group recorded 22,557 tons in total, representing a substantial increase of 62 times from the corresponding period of last year, and the Group was also achieved an income of approximately HK\$83,834,000, representing an increase of 44 times from the corresponding period of last year. The Group's income from the transportation, distribution and retail of LPG accounted for 29% for the overall turnover in the reporting period.

BUSINESS REVIEW *(Continued)*

Exploitation of Natural Gas

The Group, through Yan Bian Hua Xin Oil Exploitation Company Limited, a joint venture company, co-operated with Daqing Oilfield Company, engages in the exploration and exploitation of natural gas resources in Yanji Basin located at Yan Bian Korean Nation Autonomous Area in Jilin Province, the PRC. Such natural gas was sold to other local gas suppliers through Yan Bian Zhongmin Gas Company Limited, a wholly-owned subsidiary of the Group. The project was still in the process of exploration in the reporting period and the extraction and production are yet to be commenced.

Video lottery operating system and equipment supply

The Group intended to engage in running the supply of video welfare lottery operating system and ancillary services in Mainland China by investing in Zhong Min Zai Xian (Beijing) Technology Development Ltd, a joint venture, and the application for the related license is under review by the relevant authorities. The lottery business has not been duly commenced during the reporting period.

Newly developed businesses

As discussed in the annual report for the 2006/7 financial year, the Group will expand into the industries with relatively higher entry barriers and higher return in revenue and cash on the ground of its steadily developed gas business. On 30 August 2007 and 16 September 2007, the Group entered into a share subscription agreement and a supplemental agreement, respectively, with New Chinese Medicine Holdings Limited (“NCM”) (stock code: 8085) to subscribe for 150,000,000 NCM shares, representing approximately 14.25% of the share capital of NCM, at the price of HK\$0.20. As at 30 September 2007, the Group recorded an unrealised gain of approximately HK\$132,000,000 by holding such investment.

On 4 December 2007, NCM entered into a letter of intent relating to a possible acquisition of a company principally engaged in the funeral business in the PRC.

On 10 and 12 December 2007, NCM has entered into the placing agreements for placing on aggregate of up to 400,000,000 new shares at HK\$1 per share. The aggregate net proceeds from the placing of approximately HK\$398 million will be used as working capital to support the proposed acquisition pursuant to the letter of intent, as aforesaid. Immediately after completion of the placing, the shareholding of the Group in NCM will be reduced to 10.33%.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 30 September 2007, the total assets of the Group was approximately HK\$1,628,008,000, and the current liabilities, long term liabilities, shareholders' equity and minority interests of the Group were approximately HK\$347,690,000, HK\$345,608,000, HK\$867,867,000 and HK\$66,843,000, respectively.

At 30 September 2007, the Group's cash on hand amounted to approximately HK\$154,434,000 (31 March 2007: approximately HK\$184,031,000) and the total borrowings amounted to approximately HK\$468,489,000 (31 March 2007: approximately HK\$643,374,000). The debt-to-capitalisation ratio, representing the ratio of total borrowings to equity (excluding minority interests) was 35% (31 March 2007: 56%).

FINANCIAL REVIEW (Continued)

Liquidity and Capital Resources (Continued)

On 7 September 2005, the Company issued US\$20,000,000 (equivalent to approximately HK\$155,600,000) 2 percent convertible bonds due in September 2008 to Equator View Capital (an independent third party which is indirectly owned as to 49% by Oasis Management Holdings LLC, an international investment fund). During the Period, the Company has issued 56,655,985 shares of the Company in accordance with the convertible bonds, while convertible bonds with a principal amount of US\$2,500,000 (equivalent to approximately HK\$19,450,000) remained outstanding. If the outstanding convertible bonds were fully converted into shares, approximately 56,656,000 ordinary shares of the Company will be issued, representing 1.41% of the issued share capital of the Company as at 30 September 2007.

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, in respect of the issue of US\$40,000,000 (equivalent to approximately HK\$310,000,000) 2% convertible bonds due in June 2009. Pursuant to the terms of the Subscription Agreement, the convertible bonds can be converted into shares at a conversion price of HK\$0.60 per share (subject to adjustment). Unless previously redeemed, converted or purchased and cancelled, the convertible bonds shall be redeemed by the Company at 106% of their principal amount at the third anniversary of the issue date. The convertible bonds carried interest from the issue date at the rate of 2% per annum of the principal amount. During the Period, convertible bonds with an amount of US\$20,000,000 (equivalent to approximately HK\$155,000,000) have been converted into 258,333,332 ordinary shares of the Company, while those with an amount of US\$20,000,000 (equivalent to approximately HK\$155,000,000) remained outstanding. If the outstanding convertible bonds were fully converted into shares, approximately 258,333,000 ordinary shares of the Company will be issued, representing 6.44% of the issued share capital of the Company as at 30 September 2007.

Borrowing Structure

As at 30 September 2007, the total borrowings of the Group was approximately HK\$468,489,000 (31 March 2007: approximately HK\$643,374,000), which included interest-bearing convertible bonds with a fair value of approximately HK\$226,540,000, while the balance mainly comprised domestic bank loans denominated in Renminbi of the project companies. Other than the convertible bonds with fixed interest, other loans, which were used as general working capital and for operating expenses, carried interests at fixed rates or the interest rate issued by PBOC. Apart from the loans with an amount equivalent to approximately HK\$106,090,000 were pledged with certain assets with carrying amount of approximately HK\$91,677,000, other loans were unsecured. Short-term loans amounted to approximately HK\$123,600,000, while others were long-term loans due after 1 year.

Capital Structure

The Group’s long-term capital comprises shareholder’s equity, which is confirmed by the sound gearing ratio discussed in the section headed “Liquidity and Capital Resources” above.

Exposure to Foreign Exchange Risk

Majority of the Group’s receivables and payables were denominated in RMB, HKD and USD. As HKD is linked to USD and recently, RMB has experienced minor appreciation against USD, we consider that the effect of foreign exchange rate risk on the Group is minimal.

FINANCIAL REVIEW (Continued)

Contingent Liabilities

As at 30 September 2007, the Group had no material contingent liabilities.

EMPLOYEES

As at 30 September 2007, the Group already engaged approximately 1,100 employees, most of them are station in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the Board after consulting the Remuneration Committee. Apart from pension funds, individual employee may be granted discretionary bonus and share options as rewards for the outstanding performance.

PROSPECTS

GAS SUPPLY BUSINESS

It is expected that the economy of the PRC will sustain continuous, rapid and healthy development in the future and the rapid growth in the economy will certainly bring along higher energy consumption and demand, in particular robust growth in consumption of and demand for cleaner energy. According to the Development of Energy in the "11th Five Year Plan" (《能源發展“十一五”規劃》) in the PRC promulgated by the National Development and Reform Commission in 2007, it is expected that the annual growth rate of non-renewable energy consumption in the PRC will be 4% by 2010, while the share of natural gas in the non-renewable energy consumption will increase by 2.5%, with the expected annual demand for natural gas in the PRC in 2010 to be approximately 110 billion cubic meters and an average annual growth rate in natural gas consumption of over 17%. As the rate industrialisation and urbanisation continues to rise in the area in which the Group's gas business operates, the Group's pipeline connection and sales of gas will continue to grow.

As the current price of natural gas in the PRC is significantly lower than that in the world market, there is huge room for adjustment. Pursuant to the requirement of Notice on Issues Relating to the Adjustment of Natural Gas Price from the National Development and Reform Commission (《國家發展改革委關於調整天然氣價格有關問題的通知》) dated 8 November 2007, with effect from 10 November 2007, the benchmark price of natural gas supplied by upstream oil and gas fields to industrial customers raised RMB0.4/cubic meters, representing a rise of 35%, subject to acceptable upward adjustment in the sale price of natural gas for industrial and vehicle uses. As the industrial customers share the larger portion in the volume of gas sales of the Group, it is expected that the Group will be benefited the most from that requirement and the future growth in gas sales and profit is substantial.

LPG BUSINESS

The PRC is the second largest consumer of LPG in the world. Energy diversification in 21st century becomes a mainstream development, the consumption of LPG remains vital, particularly in Southwestern China where natural gas resources is relatively rare. Bottled LPG will for the time being be one of the energy options to the population, therefore, its market potential is enormous. The development of the Group's LPG business will definitely benefit from its edges in integrated storage, transportation, distribution and retail of LPG operations in Southwestern China and the solid relationship with upstream gas suppliers.

PROSPECTS *(Continued)*

LOTTERY BUSINESS

The development of the lottery operation in the PRC, after 20 years, is successful surprisingly. In 2006, total sales of lottery in the PRC was approximately RMB81.9 billion, in which approximately RMB49.6 billion was generated from the sales of welfare lottery. The PRC has become the fifth largest market for lottery, while its welfare lottery sales ranks the seventh in the world. As at the end of October 2007, the sales of welfare lottery in the PRC has exceeded RMB50 billion, reaching RMB50.124 billion, as compared with corresponding period last year recorded an increase of 26%. As the persistent growth in the PRC economy boosts the general consuming power of the population, the Directors believe that the PRC lottery market will continue to gain momentum, while the video lottery operating system and equipment supply business, upon the approval and the commencement of operation, will bring satisfactory return and abundant cash flow to the Group.

PROSPECTS

Looking forward, the shortage in gas supply in Fujian will be substantially relieved when LNG supply from Indonesia is available in 2009. The number of customers connected to the Group as well as the sales of gas will certainly grow afterward.

The Group is now engaged in multiple businesses, such as gas and lottery operations. The Directors believe that the Group will turn into an integrated investment holding company and continuously invest in enterprises with satisfactory monetary returns for the purpose of bringing more benefits and higher returns to the shareholders.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

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 of Hong Kong Limited. Throughout the Period, the Company has complied with the Code Provision.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. Upon enquiry by the Company, all directors of the Company 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 adopted by the Group, and discussed judgmental issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the Period and the re-appointment of the external auditors with no disagreement.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HKEX AND THE COMPANY

The results announcement, as required, has been published on the website of Hong Kong Exchanges and Clearing Limited (“HKEX”) at www.hkex.com.hk under “Latest Listed Company Information” and the Company at www.ilinkfin.net/chinese_people/ under “Announcements” respectively. The interim report of the Company for the period ended September 30, 2007 will be dispatched to the shareholders around 24 December 2007 and will publish on the websites of the HKEX’s and the Company’s websites accordingly.

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

Executive Directors:

Mr. Xu Ruixin
Mr. Liu Jing
Dr. Mo Shikang
Mr. Zhu Peifeng
Mr. Zhang Hesheng
Mr. Jin Song
Mr. Wong Ching

Independent non-executive Directors:

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

By Order of the Board
Chinese People Holdings Company Limited
Dr. Mok Shikang
Managing Director

Beijing, 14 December 2007