



CHINESE PEOPLE HOLDINGS COMPANY LIMITED

中民控股有限公司*

(Incorporated in Bermuda with limited liability)

(stock code: 681)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

FINANCIAL HIGHLIGHTS

Items	For the six months ended 30 September		Changes HK\$'000
	2008 HK\$'000	2007 HK\$'000	
Turnover from principal businesses			
– Provision of piped gas fuel and gas pipeline connection	143,708	209,504	(65,796)
– Transportation and distribution of LPG and retail of bottled LPG	115,345	83,834	31,511
	<u>259,053</u>	<u>293,338</u>	<u>(34,285)</u>
Gross profit from principal businesses			
– Provision of piped gas fuel and gas pipeline connection	44,928	46,760	(1,832)
– Transportation and distribution of LPG and retail of bottled LPG	15,894	10,468	5,426
	<u>60,822</u>	<u>57,228</u>	<u>3,594</u>
Segment results from principal businesses			
– Provision of piped gas fuel and gas pipeline connection	18,459	20,021	(1,562)
– Transportation and distribution of LPG and retail of bottled LPG	3,955	3,705	250
	<u>22,414</u>	<u>23,726</u>	<u>(1,312)</u>
Change in fair value of convertible notes	(680)	(104,548)	103,868
Change in fair value of financial assets at fair value through profit or loss	(7,506)	132,000	(139,506)
Share-based payment expenses in respect of share option scheme	(1,666)	(23,998)	22,332
Other revenues and expenses, net	<u>(11,925)</u>	<u>(19,418)</u>	<u>7,493</u>
Profit before taxation	<u>637</u>	<u>7,762</u>	<u>(7,125)</u>

* for identification purpose only

Turnover of the Group decreased to approximately HK\$259,053,000, representing a decrease of 11.7% as compared to the corresponding period last year. The decrease was mainly due to (i) the disposal of a project company in the previous year and (ii) the loss of the number of connected and the business suspension of several subsidiaries of the Group near Wenchuan of Sichuan Province, the PRC after the 5.12 Earthquake.

Gross profit increased to approximately HK\$60,822,000, representing a growth of 6.3% as compared to the corresponding period last year. Overall gross profit margin remained at 19-24%.

During the period, the unaudited profit attributable to equity holders of the Company amounted to approximately HK\$1,403,000, decreased by HK\$3,021,000 from approximately HK\$4,424,000 for the corresponding period last year.

Change in fair value of convertible notes: It is related to the convertible notes issued to Indopark Holdings Limited. The decrease in loss was resulted from the decrease in the share price of the Company during the period along with the downturn in the global stock market in current year.

Change in fair value of financial assets at fair value through profit or loss: During the reporting period, a loss of approximately HK\$7,506,000 was recorded in respect of the change in financial assets at fair value through profit or loss (corresponding period last year: a gain of HK\$132,000,000). The loss was due to the recent downturn in the global stock market. Such loss is unrealised and is a non-cash flow item. Excluding such non-cash flow item, profit before taxation for the period was approximately HK\$8,143,000 (corresponding period last year: a loss of approximately HK\$124,238,000).

Share-based payment expenses in respect of share option scheme: It represented the residue balances of the fair value of share options amortised over the vesting period. These share options were granted in financial year 2007/2008.

Other revenues and expenses, net: The overall decreases are mainly due to (i) the decrease in general and administrative expenses as a result of cost control implemented by the Group; (ii) the decrease in interest expenses incurred as a result of bank loans repayment and (iii) the increase in share of interests in associates.

The board of directors (the “Board”) of Chinese People Holdings Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2008, together with the figures for the six months ended 30 September 2007 as follows. These consolidated financial statements were not audited but have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	Unaudited Six months ended 30 September	
		2008 HK\$'000	2007 HK\$'000
Turnover	3	259,053	293,338
Cost of sales		(198,231)	(236,110)
Gross profit		60,822	57,228
Other operating income		1,597	3,161
Change in fair value of convertible notes		(680)	(104,548)
Change in fair value of financial assets at fair value through profit or loss		(7,506)	132,000
Discount on acquisition of additional interest in a subsidiary		216	–
General and administrative expenses		(48,872)	(52,763)
Loss on disposal of an associate		(1,463)	–
Share-based payment expenses		(1,666)	(23,998)
Share of results of associates		4,838	3,896
Finance costs		(6,649)	(7,214)
Profit before taxation	4	637	7,762
Taxation	5	858	(2,528)
Profit for the period		<u>1,495</u>	<u>5,234</u>
Attributable to:			
Equity holders of the Company		1,403	4,424
Minority interest		92	810
		<u>1,495</u>	<u>5,234</u>
Dividend	6	–	–
Earnings per share	7		
Basic (cents per share)		<u>0.03</u>	<u>0.12</u>
Diluted (cents per share)		<u>n/a</u>	<u>0.11</u>

CONSOLIDATED BALANCE SHEET

At 30 September 2008

		30 September	31 March
		2008	2008
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	8	620,457	541,777
Investment properties		8,560	8,370
Prepaid lease payments		32,914	29,591
Goodwill		169,167	167,192
Intangible assets		143,365	142,582
Interests in associates		54,919	53,711
Available-for-sale investments		51,802	6,627
Deposit paid on acquisition of additional interest in a subsidiary		–	2,223
		1,081,184	952,073
Current assets			
Inventories		34,906	23,560
Trade and other receivables	9	131,953	116,845
Prepaid lease payments		629	616
Financial assets at fair value through profit or loss		–	102,042
Bank balances and cash		145,753	170,318
		313,241	413,381
Current liabilities			
Trade and other payables	10	244,319	166,217
Taxation payable		57,238	55,345
Amounts due to associates		34,457	20,697
Bank borrowings – due within one year		113,225	147,629
Convertible notes		158,558	–
		607,797	389,888
Net current (liabilities)/assets		(294,556)	23,493
Total assets less current liabilities		786,628	975,566

CONSOLIDATED BALANCE SHEET (Continued)

At 30 September 2008

	30 September 2008 (Unaudited) <i>HK\$'000</i>	31 March 2008 (Audited) <i>HK\$'000</i>
Capital and reserves		
Share capital	285,756	285,763
Reserves	<u>332,919</u>	<u>365,133</u>
Equity attributable to equity holders of the Company	618,675	650,896
Minority interests	<u>65,566</u>	<u>66,089</u>
Total equity	<u>684,241</u>	<u>716,985</u>
Non-current liabilities		
Bank borrowings – due after one year	84,291	78,712
Convertible notes	–	157,878
Deferred tax liabilities	<u>18,096</u>	<u>21,991</u>
	<u>102,387</u>	<u>258,581</u>
	<u>786,628</u>	<u>975,566</u>

NOTES TO THE INTERIM RESULTS

1. Basis of preparation

The condensed consolidated financial statements (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 March 2008. The Interim Financial Statements have been reviewed by the Audit Committee of the Company and were approved by the Board on 19 December 2008.

The Group had net current liabilities of approximately HK\$294,556,000 as at 30 September 2008. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Interim Financial Statements have been prepared on a going concern basis. The Group has taken and will continue the following measures to ensure the Group will have adequate cash flows for the operations of the Group:

- (i) to impose tight cost controls;
- (ii) to raise funds as and when necessary;
- (iii) to obtain extension of repayment of existing borrowings; and
- (iv) to obtain necessary funding from bankers.

Based on the Group’s history of obtaining finance, its relationships with its bankers and banking facilities available, and taking into account of continuous net cash inflows from operating activities, the Board of the Company considers that the Group will be able to obtain sufficient financing to enable it to operate and meet its liabilities as and when they fall due. Subsequent to the balance sheet date, the Group had successfully obtained approximately HK\$95 million (equivalent to RMB83.6 million) of new banking facilities. Accordingly, it is appropriate that the Interim Financial Statements should be prepared on a going concern basis and they do not include any adjustments that would be required should the Company and the Group fail to continue as a going concern. Should the Group be unable to continue or operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments has not been reflected in the Interim Financial Statements.

2. Significant accounting policies

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

The accounting policies adopted in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008 except for the adoption of the amendments to HKAS 39 and HKFRS 7 "Reclassification of Financial Assets" which were issued in October 2008 and effective from 1 July 2008.

HKAS 39 and HKFRS 7 (Amendments) permit, but only in rare circumstances, reclassification of certain non-derivate securities out of trading category (i.e. out of the fair value through profit or loss ("FVTPL") category). Such securities shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortised cost, as applicable. The amendments also permit reclassification of loans and receivables out of the "FVTPL category" or "available-for-sale category" if the entity has the intention and ability to hold those financial assets for the foreseeable future (for loans) or until maturity (for debt securities). A reclassification is permitted as a one-time event, i.e. a reversal is not permitted.

The Group has made use of the HKAS 39 and HKFRS 7 (Amendments) and reclassified certain financial assets as of 28 July 2008. The Group reclassified equity securities out of category "FVTPL" into "available-for-sale". The Group identified assets, eligible under the amendments, for which at 28 July 2008, it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. The following tables summarise the fair value gains and losses that would have been recognised in the consolidated income statement and reserve if the financial assets had not been reclassified.

Reclassification

	Into available-for-sale investments		
	28 July 2008	30 September 2008	
	Carrying amount HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Out of financial assets at FVPTL	94,535	45,024	45,024
			Effect if no assets would have been reclassified HK\$'000
			(49,511)
			49,511
Decrease in earnings per share			HK\$1.21 cent

The following new interpretations (“Ints”) are mandatory for the first time for the financial year beginning 1 April 2008 but are not relevant for the Group:

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The following new standards, amendments to standards and Ints have been issued but are not yet effective and have not been early adopted:

HKFRSs (Amendments)	Improvements to HKFRSs ⁵
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Cost ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendments)	Eligible hedged items ²
HKFRS 2 (Amendments)	Share-based payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

¹ Effect for annual periods beginning on or after 1 January 2009

² Effect for annual periods beginning on or after 1 July 2009

³ Effect for annual periods beginning on or after 1 July 2008

⁴ Effect for annual periods beginning on or after 1 October 2008

⁵ Effect for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual period beginning on or after 1 July 2009

The Group is in the process of making an assessment of what the impact of these new amendments, new standards and new Ints are expected to be in the period of initial application. So far, it has concluded that the adoption of the above policies may result in new or amended disclosures, they are unlikely to have a significant impact on the Group’s results of operations and financial position.

3. Turnover and segment information

The Group's turnover and results for the six months ended 30 September 2008 and 2007 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 2008 and 2007

	Provision of piped gas fuel		Transportation and distribution of LPG and retail of bottled LPG		Consolidated	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	<u>143,708</u>	<u>209,504</u>	<u>115,345</u>	<u>83,834</u>	<u>259,053</u>	<u>293,338</u>
Segment results	<u>18,459</u>	<u>20,021</u>	<u>3,955</u>	<u>3,705</u>	<u>22,414</u>	<u>23,726</u>
Unallocated other operating income and expenses					(8,867)	(16,100)
Change in fair value of convertible notes					(680)	(104,548)
Change in fair value of financial assets at fair value through profit or loss					(7,506)	132,000
Discount on acquisition of additional interest in a subsidiary	216	–	–	–	216	–
Loss on disposal of an associate	(1,463)	–	–	–	(1,463)	–
Share-based payment expenses					(1,666)	(23,998)
Share of results of associates	4,554	4,949	–	–	4,554	4,949
Unallocated amounts					284	(1,053)
					4,838	3,896
Finance costs					<u>(6,649)</u>	<u>(7,214)</u>
Profit before taxation					637	7,762
Taxation					<u>858</u>	<u>(2,528)</u>
Profit for the period					<u>1,495</u>	<u>5,234</u>

4. Profit before taxation

Profit before taxation is arrived at after charging the following:

	(Unaudited)	
	Six months ended	
	30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of intangible assets	2,451	2,179
Amortisation of prepaid lease payment	362	310
Depreciation of property, plant and equipment	9,372	10,492
	<u>12,185</u>	<u>12,981</u>
Total amortisation and depreciation	<u>12,185</u>	<u>12,981</u>
Total staff costs including Directors' emoluments		
Salaries, wages, allowance and benefits in kind	20,362	17,499
Retirement benefits scheme contribution	1,257	868
Share-based payment expenses	1,666	23,998
	<u>23,285</u>	<u>42,365</u>

5. Taxation

	(Unaudited)	
	Six months ended	
	30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Provision for PRC Enterprise		
Income Tax for the period	3,520	2,528
Deferred tax		
Credit for the period	(4,378)	–
	<u>(858)</u>	<u>2,528</u>

5. Taxation (Continued)

Pursuant to the rules and regulations of the Bermuda and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Bermuda and the BVI. No Hong Kong Profits Tax has been provided for as the Group does not have estimated assessable profits in Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, the statutory PRC Enterprise Income Tax rate of 25% is applied to the Group entities 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 33% and the reduced tax rates for the relief period range from 7.5% to 16.5%. The charge of PRC Enterprise Income Tax for the periods has been provided for after taking these tax incentives into account. The tax benefit will expire during the period from year 2008 to 2012.

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

The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

6. Dividend

The Directors do not recommend any payment of interim dividend for the six months ended 30 September 2008 (2007: nil).

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

7. Earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2008 and 2007 is based on the profit attributable to equity shareholders of the Company of HK\$1,403,000 (2007: HK\$4,424,000) and the weighted average number of shares in issue during the period of 4,082,296,685 (2007: 3,830,786,091).

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

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to the equity holders of the Company	<u>1,403</u>	<u>4,424</u>
Share		
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,082,296,685	3,830,786,091
Effect of dilutive potential ordinary shares: – share options	<u>–</u>	<u>89,202,054</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,082,296,685</u>	<u>3,919,988,145</u>

There was no potential dilutive ordinary shares in existence for the six months ended 30 September 2008, accordingly, no diluted earnings per share amount have been presented. The computation of diluted earnings per share for the six months 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.

8. Property, plant and equipment

The Group acquired property, plant and equipment amounting to approximately HK\$78,739,000 (six months ended 30 September 2007: HK\$67,382,000).

9. Trade and other receivables

	30 September 2008 <i>HK\$'000</i>	31 March 2008 <i>HK\$'000</i>
Trade receivables aged:		
Current to 90 days	12,226	8,921
91 to 180 days	182	402
Over 180 days	1,677	1,974
	<hr/>	<hr/>
Total trade receivables	14,085	11,297
Advances to third parties	14,476	7,662
Amount due from an ex-associate	3,751	3,668
Deposit and prepayments	13,130	7,551
Bill receivables	227	5,558
Deposit paid to/payment in advance to suppliers	54,216	34,519
Deposit paid for capital expenditures	597	609
Consideration receivable for the disposal of an associate	21,830	31,121
Others	9,641	14,860
	<hr/>	<hr/>
	131,953	116,845
	<hr/> <hr/>	<hr/> <hr/>

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.

10. Trade and other payables

	30 September 2008 <i>HK\$'000</i>	31 March 2008 <i>HK\$'000</i>
Trade payables, falling due in:		
0 – 3 months	27,140	19,262
4 – 6 months	6,865	2,577
Over 6 months	17,130	12,462
	<hr/>	<hr/>
Total trade payables	51,135	34,301
Deposit received from customers (<i>note (i)</i>)	94,790	56,941
Convertible notes interest payable	910	910
Customers gas fuel deposits and other deposit received	8,356	8,901
Income received in advance	33,597	23,586
Other payable for the purchase of property, plant and equipment	6,805	8,321
Consideration payable for the acquisition of additional interest in a subsidiary	7,958	8,892
Accrued charges and other payables	40,768	24,365
	<hr/>	<hr/>
	244,319	166,217
	<hr/> <hr/>	<hr/> <hr/>

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

11. Commitments

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

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Capital expenditure in respect of:		
Investment in a subsidiary	20,000	30,000
Commitment in respect of the acquisition for:		
Property, plant and equipment	<u>110,789</u>	<u>302,783</u>
	<u>130,789</u>	<u>332,783</u>

BUSINESS REVIEW

Provision of Piped Gas Fuel Business

Construction and connection of gas pipeline networks for customers and provision of piped gas fuel to customers in cities of the PRC are the major income sources of the Group. The Group's sales of gas fuel and the number of connected tumbled during the reporting period following the 5.12 Earthquake in Wenchuan of Sichuan Province.

During the reporting period, the Group achieved gas fuel sales of 56.98 million cubic meters ("m³") in total, representing a decrease of 41.5% as compared with the corresponding period last year. Among the total gas fuel sales, 10.72 million m³ were sold to household customers, representing a decrease of 48.5% as compared with the corresponding period last year; and 46.26 million m³ to commercial and industrial customers, representing a decrease of 39.6% as compared with the corresponding period last year.

During the reporting period, the Group connected pipelines for 13,782 household customers, representing a decrease of 19.7% as compared with the corresponding period last year; and for 71 commercial and industrial customers, representing a decrease of 20.2% as compared with the corresponding period last year. As at 30 September 2008, the Group had, in accumulation, 194,729 customers connected, representing a decrease of 2.6% as compared with the corresponding period last year.

During the reporting period, the provision of piped gas fuel business of the Group recorded a turnover of approximately HK\$143,708,000, representing a decrease of 31.4% as compared with the corresponding period last year. Turnover from the provision of piped gas fuel accounted for approximately 55.5% of the turnover of the Group for the reporting period. The decreases in the number of connected and turnover were mainly due to (i) the disposal of a project company in the previous year and (ii) the loss of the number of connected and the suspension of gas supply from several subsidiaries of the Group near Wenchuan of Sichuan Province, the PRC after the 5.12 Earthquake. For details related to the 5.12 Earthquake, please refer to the paragraph headed "Reconstruction After the Sichuan Earthquake" below.

Transportation and Distribution of LPG and Retail of Bottled LPG Business

Since the commencement of the operations of transportation and distribution of LPG and retail of bottled LPG (hereinafter referred to as “LPG business”), the Group has been putting efforts into the expansion of sales network in the market by stabilising gas sources and establishing retail ends. LPG business has become another major income source of the Group. During the reporting period, the Group achieved the sales of LPG of 18,249 tons, representing a decrease of 19.1% over the corresponding period last year. Such decrease was due to the regular suspension of LPG cylinder trains for maintenance. Income from sales of LPG business amounted to approximately HK\$115,345,000, representing an increase of 37.6% over the corresponding period last year. The turnover from LPG business accounted for approximately 44.5% of the turnover of the Group during the reporting period. Despite the lower sales volume of LPG business as compared with the corresponding period last year, the Group recorded increases in turnover and gross profit and achieved the expected results by expanding the LPG retailing business, which offers higher price and profit.

Video Lottery System and Equipment Supply Business

The Group intended to be engaged in the video welfare lottery system and equipment supply business in the PRC through investing in its associate – Zhong Min Zai Xian (Beijing) Technology Development Limited, and the related license is still pending for approval. The lottery business has yet to commence operation during the reporting period.

RECONSTRUCTION AFTER THE SICHUAN EARTHQUAKE

On 12 May 2008, a magnitude 8.0 earthquake struck Wenchuan County of Sichuan Province, resulting in heavy casualties of the local urban population and severe destruction of urban buildings and infrastructure. The earthquake caused members of the Group located in Sichuan, Chongqing and the adjacent areas to suffer from various degrees of loss of properties and personnel, while some of the companies even suffered disruptions to the supply of gas fuel business. Such companies include Mian Zhu City Hong Sen Natural Gas Co., Ltd. (“Hong Sen”), Mian Zhu City Long Teng Gas Installation Co., Ltd., Yan Ting Zhongmin Natural Gas Co., Ltd. (formerly known as Longxing (Yan Ting) Natural Gas Co., Ltd.), Bei Chuan County Zhongmin Gas Co., Ltd. (“Bei Chuan Zhongmin”), Mian Zhu City Han Wang Natural Gas Co., Ltd. (“Han Wang”), Chongqing Zhongmin Gas Co., Ltd and Xi’an Zhongmin Gas Co., Ltd. After the earthquake, the Group spared no effort in rescue, digging and clear-up operations as well as property damages assessment. Property counting and damage recognition processes are almost completed. The specific amount of losses will be recognised after the completion of such property counting and damage recognition.

Subsequent to the earthquake, the lives of household and commercial and industrial customers in affected areas are gradually resuming to normal under the direction of the PRC government. With the dedication of our staff, certain project companies quickly resumed the gas supply. As at 30 September 2008, gas supply by Bei Chuan Zhongmin was still in suspension; gas supply by Han Wang is available to limited commercial and industrial customers; and gas supply by Hong Sen to household and commercial and industrial customers has already resumed to over 60% of the level before the earthquake. The gas supply by other gas project companies affected has already resumed to normal.

To facilitate the commencement of post-earthquake reconstruction, the PRC government issued a series of encouragement policies for the affected enterprises, such as “Circular on Certain Issues in Relation to Taxation Policies Involved in Supporting the Restoration and Reconstruction after the Wenchuan Earthquake”, “The Temporary Measures on Broadening the Scope of Deductions for Value-Added Tax in Major Disaster Areas in the Wenchuan Earthquake” and “The Administrative Measures on Central Financial Discount Capital for Loans on Restoration and Reconstruction after the Wenchuan Earthquake”, offering enterprise income tax relief for 2008 to severely damaged enterprises in major disaster areas, introducing value-added tax allowance expansion policies to all industries in major disaster areas, and providing subsidised loans with a term of no longer than 3 years to enterprises. On 5 November 2008, Research Department of the State Council of the PRC formulated ten measures to further expand domestic demand for the purpose of a relatively fast but steady growth, including (among others) the acceleration of post-earthquake reconstruction in disaster areas as well as an early allocation of RMB20 billion from the 2009 post-earthquake reconstruction fund. Benefiting from the above policies, the Group will repair and resume the gas pipeline networks in affected areas in coordination with the planning for recovery, reconstruction and replacement of affected cities.

BUSINESS DISPOSED DURING THE REPORTING PERIOD

Disposal of 50% Equity Interest in Yin Chuan Zhongmin

In August 2008, the Group disposed of its 50% equity interest in Yin Chuan Zhongmin Gas Co., Ltd. (“Yin Chuan Zhongmin”) at a cash consideration of RMB3,000,000 (approximately HK\$3,410,000). After the disposal, Yin Chuan Zhongmin ceased to be an associate of the Group. The sale proceed would be used as the Group’s general working capital.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2008, the total assets of the Group was approximately HK\$1,394,425,000, and current liabilities, long-term liabilities, shareholders’ equity and minority interests were approximately HK\$607,797,000, HK\$102,387,000, HK\$618,675,000 and HK\$65,566,000 respectively.

As at 30 September 2008, the Group’s cash on hand amounted to approximately HK\$145,753,000 (31 March 2008: approximately HK\$170,318,000), and the total borrowings amounted to approximately HK\$356,074,000 (31 March 2008: approximately HK\$384,219,000). The debt-to-capitalisation ratio, representing the ratio of total borrowings to equity (excluding minority interests) and total borrowings, was 36.5% (31 March 2008: 37.1%).

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 HK\$310,000,000) 2% convertible notes due on 14 June 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). Unless previously redeemed, converted or purchased and cancelled, the convertible notes shall be redeemed by the Company at 106% of the principal amount at the third anniversary of the issue date. The convertible notes carried interest from the issue date at the rate of 2% per annum of the principal amount. During the reporting period, no convertible note was converted into ordinary shares of the Company. As at 30 September 2008, the convertible notes with an amount of US\$20,000,000 (equivalent to HK\$155,000,000) remained outstanding. The conversion price was reset in accordance to the Reset Reference Price as stated in the Subscription Agreement to HK0.50 in July 2008. If the outstanding convertible notes are fully converted, 264,609,815 ordinary shares of the Company will be issued, representing 6.48% of the issued share capital of the Company as at 30 September 2008.

BORROWING STRUCTURE

As at 30 September 2008, the total borrowings of the Group was approximately HK\$356,074,000 (31 March 2008: approximately HK\$384,219,000), which included interest-bearing convertible notes with a fair value of approximately HK\$158,558,000, while the balance mainly comprised domestic bank loans denominated in Renminbi of the project companies in the PRC. Except for the convertible notes with a fixed interest, other bank loans, which were applied to general working capital and operating expenses, carried interest at floating rates or the interest rate announced by the PBOC. Apart from the loans with an amount equivalent to approximately HK\$116,870,000 being pledged with certain assets with a carrying amount of approximately HK\$91,060,000, others were unsecured. Short-term bank loans amounted to approximately HK\$113,225,000, while others were due after 1 year.

CAPITAL STRUCTURE

The Group’s long-term capital comprises shareholders’ equity that is confirmed by the healthy debt-to-capitalisation ratio discussed in the section headed “Liquidity and Capital Resources” above.

EXPOSURE TO FOREIGN EXCHANGE RISK

All of the Group’s operations are carried out in the PRC and substantially all of its income and expenses are denominated in RMB. During the reporting period, the continuous appreciation of RMB has been favourable to the Group as a whole. The Group closely monitors the market exchange rates from time to time and make appropriate adjustments when necessary.

PROSPECTS

Gas Fuel Business

According to the latest data announced by the National Bureau of Statistics of the PRC, the growth rate of the GDP in the PRC was 9.9% for the first three quarters of 2008. Although the growth rate remains at a relatively high level, the pressure from the international economic environment on the development of the PRC economy has been increasing. In order to step up the economic development with stability, the State Council of the PRC has formulated ten measures to expand the domestic demand with a wide coverage of civil engineering projects, infrastructure, biological environment developments, and reconstructions in disaster areas. The initial budget for the above measures is estimated to be RMB4,000 billion at the end of 2010. It is believed that with the adjustments to its macro-economic policies, the future of the PRC economy will remain promising which, in turn is favourable to the stable development of the Group's piped gas fuel and LPG business in light of its close relationships with the civil engineering projects.

With the commencement of the operations of the Fujian LNG early next year, plus the construction work of the transmission pipeline network project for natural gas (including the second pipeline under the west-east gas transmission project) between the Western and Eastern China, the Group will be able to guarantee the supply of gas for the development of its gas fuel business over its present coverage. The Group believes that its gas fuel business will achieve a substantial growth amid the rapid economic development over the areas that the business operates and contribute promising profits and sufficient cash flow to the Group.

Lottery Business

According to the civil affairs statistics for the third quarter of 2008 announced by the Ministry of Civil Affairs of the PRC, the national sales of welfare lottery in the PRC amounted to RMB44.46 billion up to the end of September, which was slightly higher than that of the corresponding period last year. On the other hand, according to the statistics from the National Bureau of Statistics, the per capita dispensable income of urban residents amounted to RMB11,865 for the first three quarters in 2008, representing a year-on-year increase of 14.7%. Given the sustainable economic development of the PRC, the Group believes that the per capita income and spending power of domestic residents will keep increasing and, therefore, the lottery market in the PRC will continue its fast, solid development in the future. Upon obtaining the approval by the Group, the lottery business will bring to the Group munificent returns and adequate cash flows.

Looking forward, the Group will focus on the resumption of the piped gas fuel business in disaster areas, and will constantly increase the number of customers who have piped gas fuel connected and sales volume of gas fuel during such resumption and reconstruction. While Fujian LNG is getting its official launch in early 2009, the Group will expand the urban pipeline networks in Fujian Province, catering the strong demand of local customers for LNG. Meanwhile, the Group will continue the effort to expand the scale of LPG business and its market share. The Group will also put extra effort into the exploration of businesses with considerable revenue and cash returns, aiming at acquiring higher values and returns for our shareholders.

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

The Company repurchased 100,000 shares of the Company at the price of HK\$0.099 each on 11 August 2008 and all the relevant shares of the Company were then cancelled accordingly. Other than disclosed above, 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. 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 set out in Appendix 10 of the Listing Rules. 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 Statements for the period.

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.681hk.com” respectively. The interim report of the Company for the period ended 30 September 2008 will be dispatched to the shareholders before 31 December 2008 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
Dr. Mo Shikang
Mr. Zhang Hesheng
Mr. Zhu Peifeng
Mr. Jin Song
Mr. Chu Kin Wang Peleus

Independent non-executive Directors:

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

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

Beijing, 19 December 2008