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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009

RESULTS

The Board of 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 2009 together with the comparative figures for the corresponding year of 2008 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Turnover	5	579,510	619,676
Cost of sales		(446,970)	(477,310)
Gross profit		132,540	142,366
Other operating income	7	4,133	9,569
Administrative expenses		(128,583)	(118,469)
Discount on acquisition of additional interests in a subsidiary		216	–
Gain on disposal of subsidiaries		–	2,675
Loss on disposal of an associate		(1,459)	(2,324)
Loss on fair value changes of convertible notes		(4,496)	(61,789)
Equity-settled share-based payments		(1,666)	(31,551)
Reversal of impairment loss (impairment loss) recognised in respect of earthquake	8	65,002	(279,922)
Impairment loss recognised in respect of goodwill		–	(8,397)
Share of results of associates		5,196	(10,369)
(Loss) gain on fair value changes of financial assets at fair value through profit or loss		(7,507)	71,998
Finance costs	9	(12,093)	(14,448)
Profit (loss) before tax		51,283	(300,661)
Income tax expense	10	(12,046)	(8,739)
Profit (loss) for the year	11	39,237	(309,400)

* For identification purposes only

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31 March 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		35,902	(309,456)
Minority interests		3,335	56
		39,237	(309,400)
Dividend	<i>12</i>	-	-
Earnings (loss) per share			
Basic (cents)	<i>13</i>	0.88	(7.87)
Diluted (cents)		n/a	n/a

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		765,802	541,777
Investment properties		11,458	8,370
Prepaid lease payments		37,682	29,591
Goodwill		169,065	167,192
Intangible assets		140,271	142,582
Interests in associates		56,342	53,711
Available-for-sale financial assets		32,291	6,627
Deposit paid on acquisition of additional interests in a subsidiary		–	2,223
Deposit paid on acquisition of property, plant and equipment		2,483	4,589
		1,215,394	956,662
Current assets			
Inventories		34,770	23,560
Trade and other receivables	<i>14</i>	102,445	112,256
Prepaid lease payments		814	616
Financial assets at fair value through profit or loss	<i>15</i>	–	102,042
Bank balances and cash		176,952	170,318
		314,981	408,792
Current liabilities			
Trade and other payables	<i>16</i>	241,633	166,217
Tax liabilities		58,123	55,345
Amounts due to associates		34,458	20,697
Bank borrowings – due within one year		145,839	147,629
Convertible notes		162,374	–
		642,427	389,888
Net current (liabilities) assets		(327,446)	18,904
Total assets less current liabilities		887,948	975,566

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 March 2009

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Capital and reserves		
Share capital	285,756	285,763
Reserves	<u>347,572</u>	<u>365,133</u>
Equity attributable to equity holders of the Company	633,328	650,896
Minority interests	<u>68,810</u>	<u>66,089</u>
Total equity	<u>702,138</u>	<u>716,985</u>
Non-current liabilities		
Bank borrowings – due after one year	164,102	78,712
Convertible notes	–	157,878
Deferred tax liabilities	<u>21,708</u>	<u>21,991</u>
	<u>185,810</u>	<u>258,581</u>
	<u>887,948</u>	<u>975,566</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Share capital	Share premium	Capital reserve	Contributed surplus	Surplus reserve fund	Capital contribution	Share-based compensation reserve	Property revaluation reserve	Investment valuation reserve	Exchange reserve	Accumulated losses	Attributable to equity holders of the Company	Minority interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
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 the financial statements of foreign operations and net income recognised directly in equity	-	-	-	-	-	-	-	-	-	81,842	-	81,842	-	81,842
Loss for the year and total recognised income and expense for the year	-	-	-	-	-	-	-	-	-	-	(309,456)	(309,456)	56	(309,400)
Issue of shares upon exercise of share options	5,404	29,812	-	-	-	-	(6,663)	-	-	-	-	28,553	-	28,553
Issue of shares on conversion of convertible notes	26,953	287,932	-	-	-	-	-	-	-	-	-	314,885	-	314,885
Appropriations	-	-	-	-	4,610	-	-	-	-	-	(4,610)	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	31,551	-	-	-	-	31,551	-	31,551
Effect on share options forfeited	-	-	-	-	-	-	(1,425)	-	-	-	1,425	-	-	-
At 31 March 2008 and 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
Exchange difference arising on translation of the financial statements of foreign operations	-	-	-	-	-	-	-	-	-	13,434	-	13,434	-	13,434
Loss on fair value changes of available-for-sale financial assets	-	-	-	-	-	-	-	-	(69,014)	-	-	(69,014)	-	(69,014)
Revaluation surplus on property, plant and equipment upon reclassification to investment properties	-	-	-	-	-	-	-	454	-	-	-	454	-	454
Net income and expenses recognised directly in equity	-	-	-	-	-	-	-	454	(69,014)	13,434	-	(55,126)	-	(55,126)
Profit for the year and total recognised income and expenses for the year	-	-	-	-	-	-	-	-	-	-	35,902	35,902	3,335	39,237
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	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

Notes:

1. GENERAL

The Company is an investment holding company. Its subsidiaries are principally engaged 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, the sale of LPG and natural gas household appliances and supply of video lottery system and equipment.

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, as explained in the accounting policies set out in the annual report.

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 (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group had net current liabilities of approximately HK\$327,446,000 as at 31 March 2009. 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. The Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company (the “Directors”) are satisfied that, the liquidity of the Group can be maintained in the coming year taking into consideration the arrangements which include, but not limited to, the followings:

- (a) the two sale and purchase agreements for the disposal of effectively 49% equity interests in Fujian An Ran Gas Investments Company Limited (“Fujian An Ran”) and its subsidiaries and associates (collectively referred to as “Fujian An Ran Group”) at an aggregate consideration of approximately HK\$381.8 million for cash which the Group entered into on 26 April 2009 subsequent to the balance sheet date (the “Disposal”). Also, pursuant to the aforesaid sales and purchase agreements, the purchaser has undertaken to pay or procure Beijing Zhongmin Zhongran Trading Company Limited (“Zhongmin Zhongran”) to pay the outstanding registered capital of Fujian Anran in the sum of RMB80,000,000 following the completion of the Disposal. The Disposal has been approved by the special general meeting of the Company held on 3 June 2009.
- (b) the Group has renewed the short-term bank borrowings of approximately HK\$29,523,000 subsequent to the balance sheet date. Approximately HK\$18,168,000 and HK\$11,355,000 will be due in May 2010 and June 2012 respectively.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Following the Disposal and the renewal of the short-term bank borrowings, the Group continues to meet in full its financial obligations as they fall due in the foreseeable future. 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 have not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are or have become effective.

Hong Kong Accounting Standard (“HKAS”) 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation (“INT”) 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

Reclassification of financial assets

In the current period, the Group has applied HKAS 39 & HKFRS 7 (Amendments) *Reclassification of Financial Assets*.

The amendments permit an entity, if it no longer intends to hold a non-derivative financial assets for the purpose of selling in the near term (notwithstanding that the financial asset may have been acquired principally for this purpose), to reclassify that non-derivative financial asset out of the “fair value through profit or loss” (“FVTPL”) category to “available-for-sale”, “held-to-maturity” or “loans and receivables” category under certain circumstances. Such reclassifications were not previously allowed under HKAS 39. Details of the financial impact are set out in Note 4.

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)	Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible Hedged Items ⁴
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 1 (Revised)	First-time Adoption of HKFRSs ⁴
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 7 (Amendment)	Improving Disclosing about Financial Instruments ³
HKFRS 8	Operating Segments ³
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded Derivatives ⁵
HK(IFRIC) – INT 13	Customer Loyalty Programmes ⁶
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate ³
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation ⁷
HK(IFRIC) – INT 17	Distribution of Non-cash Assets to Owners ⁴
HK(IFRIC) – INT 18	Transfers of Assets from Customers ⁸

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

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2009.

⁴ Effective for annual periods beginning on or after 1 July 2009.

⁵ Effective for annual periods ending on or after 30 June 2009.

⁶ Effective for annual periods beginning on or after 1 July 2008.

⁷ Effective for annual periods beginning on or after 1 October 2008.

⁸ Effective for transfers of assets from customers received on or after 1 July 2009.

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

4. RECLASSIFICATION OF FINANCIAL ASSETS

In the current year, the Group has made the following reclassification in respect of financial assets:

HK\$'000

Reclassification of quoted equity investments classified as financial assets at
FVTPL into available-for-sale financial assets

94,535

Following the severe deterioration of the world's financial market during the third quarter of 2008, certain quoted equity investments previously held by the Group for short-term profit-taking are no longer held for trading purpose. The severe deterioration of the financial market is considered as a rare circumstance, such investments are reclassified to available-for-sale financial assets on 28 July 2008.

4. RECLASSIFICATION OF FINANCIAL ASSETS (Continued)

As of 31 March 2009, the carrying amount and fair value of the financial assets that have been reclassified are as following:

	Carrying amount <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Available-for-sale financial assets	<u>94,535</u>	<u>25,521</u>

The effects of the reclassification of the financial assets upon adoption of the amendments to HKAS 39 and HKFRS 7 during the current year are:

	<i>HK\$'000</i>
Increase in profit for the year	<u>69,014</u>
Increase of fair value losses recognised in equity	<u>69,014</u>

The financial effects recognised in the current year in respect of the financial assets that were reclassified on 28 July 2008 are as follows:

	Recognised in	
	Profit or (loss) <i>HK\$'000</i>	Equity <i>HK\$'000</i>
Before reclassification		
– loss on fair value changes of financial assets at FVTPL	(7,507)	–
After reclassification		
– loss on fair value changes of available-for-sale financial assets	<u>–</u>	<u>(69,014)</u>
	<u>(7,507)</u>	<u>(69,014)</u>

In the current year, additional fair value decrease of approximately HK\$69,014,000 would have been recognised as expense in profit or loss had the financial assets not been reclassified out of financial assets at FVTPL.

5. 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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Provision of piped Gas Fuel	312,141	425,846
Transportation, distribution of LPG and retail of bottled LPG	267,369	193,830
	<u>579,510</u>	<u>619,676</u>

6. SEGMENT INFORMATION

Segment information is required by HKAS 14 "Segment Reporting" to be presented by way of two segment formats: (i) on a primary segment reporting basis, which the Group has determined to be by business segment; and (ii) on a secondary segment reporting basis, which the Group has determined to be by geographical segment.

For management purposes the Group is currently organised into two operating divisions:

Provision of piped Gas Fuel	– construction of gas pipeline networks, provision of piped natural gas and LPG
Transportation, distribution of LPG 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.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. As the Group's major operations and markets are located in the PRC, no further geographical segment information is provided.

6. SEGMENT INFORMATION (Continued)

Segment information by business segment is presented below:

For the year ended 31 March

	Provision of Piped Gas Fuel		Transportation, distribution of LPG and retail of bottled LPG		Consolidation	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	<u>312,141</u>	<u>425,846</u>	<u>267,369</u>	<u>193,830</u>	<u>579,510</u>	<u>619,676</u>
Segment results	<u>25,979</u>	<u>58,640</u>	<u>15,568</u>	<u>9,626</u>	<u>41,547</u>	<u>68,266</u>
Unallocated other operating income					1,437	542
Bank interest income						
– Allocated amount	808	1,671	49	103	857	1,774
– Unallocated amount					558	2,640
					<u>1,415</u>	<u>4,414</u>
Loss on fair value changes of convertible notes					(4,496)	(61,789)
(Loss) gain on fair value changes of financial assets at FVTPL					(7,507)	71,998
Discount on acquisition of additional equity interests in a subsidiary	216	–	–	–	216	–
Gain on disposal of subsidiaries	–	2,675	–	–	–	2,675
Loss on disposal of an associate					(1,459)	(2,324)
Reversal of impairment loss (impairment loss) recognised in respect of earthquake:						
– Allocated amount	65,002	(240,939)	–	–	65,002	(240,939)
– Unallocated amount					–	(38,983)
					<u>65,002</u>	<u>(279,922)</u>
Equity-settled share-based payments					(1,666)	(31,551)
Impairment loss recognised in respect of goodwill					–	(8,397)
Unallocated corporate expenses					(36,309)	(39,756)
Finance costs					(12,093)	(14,448)
Share of results of associates:						
– Allocated amount	1,925	(2,130)	–	–	1,925	(2,130)
– Unallocated amount					3,271	(8,239)
					<u>5,196</u>	<u>(10,369)</u>
Profit (loss) before tax					<u>51,283</u>	<u>(300,661)</u>
Income tax expense					<u>(12,046)</u>	<u>(8,739)</u>
Profit (loss) for the year					<u>39,237</u>	<u>(309,400)</u>

6. SEGMENT INFORMATION (Continued)

As at 31 March

	Provision of piped Gas Fuel		Transportation, distribution of LPG and retail of bottled LPG		Consolidation	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment assets	999,722	756,593	155,495	137,755	1,155,217	894,348
Interests in associates:						
– Allocated	50,352	51,501	–	–	50,352	51,501
– Unallocated					5,990	2,210
					56,342	53,711
Goodwill	161,044	159,341	8,021	7,851	169,065	167,192
Unallocated assets					149,751	250,203
Total assets					<u>1,530,375</u>	<u>1,365,454</u>
Segment liabilities	244,157	137,690	20,685	17,387	264,842	155,077
Unallocated liabilities					563,395	493,392
					<u>828,237</u>	<u>648,469</u>

For the year ended 31 March

Other information

Depreciation:

– Allocated amount	15,058	17,198	3,188	2,196	18,246	19,394
– Unallocated amount					1,986	1,863
					20,232	21,257
Loss on disposal of property, plant and equipment:						
– Allocated amount	787	505	3	–	790	505
– Unallocated amount					–	118
					790	623
Amortisation of prepaid lease payments	569	504	232	167	801	671
Amortisation of intangible assets	4,867	4,401	515	–	5,382	4,401
Impairment loss recognised in respect of trade and other receivables, net	3,263	759	(7)	–	3,256	759
Trade and other receivables written-off	–	5,123	–	66	–	5,189
Loss (gain) on fair value changes of investment properties	454	(377)	–	–	454	(377)
Capital expenditure in respect of prepaid lease payments	4,639	2,638	699	1,837	5,338	4,475
Capital expenditure in respect of intangible assets	–	12,282	–	–	–	12,282
Capital expenditure in respect of property, plant and equipment:						
– Allocated amount	172,552	119,252	1,668	34,625	174,220	153,877
– Unallocated amount					1,449	1,310
					<u>175,669</u>	<u>155,187</u>

7. OTHER OPERATING INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Bank interest income	1,415	4,414
Dividend income	362	–
Exchange gain	–	120
Rental income, net of outgoings	341	267
Repair and maintenance income	–	721
Gain on fair value changes of investment properties	–	377
Storage charges	–	1,112
Sales of gas appliance:		
– Income	5,506	3,098
– Cost of sales	(4,217)	(2,606)
	1,289	492
LPG cylinders trains rental, net of outgoings	147	1,217
Others	579	849
	<u>4,133</u>	<u>9,569</u>

8 REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) RECOGNISED IN RESPECT OF EARTHQUAKE

On 12 May 2008, there was an earthquake with a magnitude of 8.0 on the Richter scale struck Wenchuan area of Sichuan Province, the PRC (the “5.12 Earthquake”). The urban and rural areas of Bei Chuan County, Mian Zhu City and Han Wang Town, where certain of the Company’s subsidiaries are located, were affected. In the 5.12 Earthquake, a considerable portion of assets and operating facilities of wholly owned subsidiaries of the Group namely as Mian Zhu City Han Wang Natural Gas Co., Ltd.; Mian Zhu City Hong Sen Natural Gas Co., Ltd.; 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.) and Bei Chuan County Zhongmin Gas Co., Ltd. (collectively referred to as the “Sichuan Companies”) in Mian Zhu City, Han Wang Town, and Bei Chuan County, Sichuan Province were seriously damaged and there were casualties among the staff and families, which caused material disruption to the operation of the supply of Gas Fuel and gas pipeline connection business.

Meanwhile, certain assets of Chongqing Zhongmin Gas Co., Ltd. and Xi’an Zhongmin Gas Co. Ltd. (collectively referred to as the “Affected Neighbouring Companies”), wholly-owned subsidiaries of the Group located in Chongqing City and Yan Liang District, Xi’an City, both surrounding Sichuan Province, respectively were also damaged during the 5.12 Earthquake.

8. REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) RECOGNISED IN RESPECT OF EARTHQUAKE (Continued)

Impairment in respect of 5.12 Earthquake recognised for the year ended 31 March 2008 was as follows:

	Sichuan Companies <i>HK\$'000</i>	Affected Neighbouring Companies <i>HK\$'000</i>	Total <i>HK\$'000</i>
Property, plant and equipment	167,103	51,498	218,601
Goodwill	43,756	5,000	48,756
Prepaid lease payments	4,459	–	4,459
Available-for-sales financial assets	6,147	–	6,147
Trade and other receivables	633	–	633
Inventories	1,326	–	1,326
	<u>223,424</u>	<u>56,498</u>	<u>279,922</u>

The 5.12 Earthquake has brought serious loss of staff and assets to the Group. In particular, the operating facilities in Mian Zhu City Hang Wan Natural Gas Co., Ltd. and Bei Chuan County Zhongmin Gas Co., Ltd., both are wholly-owned subsidiaries of the Company, in Hanwang Town and Bei Chuan County were severely damaged. After the 5.12 Earthquake, the Company has been actively engaged in rescue relief, digging, clean-up works and evaluation of asset loss. Upon a period of consolidation of the result of the clean up operations, the Company estimates that the 5.12 Earthquake has caused the Company a direct loss of assets of approximately HK\$214,920,000. A reversal of impairment loss of HK\$65,002,000 in respect of the Sichuan Companies was then recognised in the consolidated income statement for the year ended 31 March 2009 based on the valuation report issued by Assets Appraisal Limited, an independent qualified professional valuer not connected to the Group.

The recoverable amount of the Sichuan Companies, property, plant and equipment and prepaid lease payments of the Sichuan Companies (the “Valued Assets”) has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by Group’s management covering a 5-year period, and discount rate of 14.14%. This discount rate is based on the relevant industry growth forecasts and does not exceed the growth rate of 4% – 75% for the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross profit margin of a range from 29% to 71%, such estimation is based on the past performance of the Sichuan Companies and management’s expectations for the market development. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the Valued Assets to exceed the aggregate recoverable amount of the Valued Assets.

8. REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) RECOGNISED IN RESPECT OF EARTHQUAKE (Continued)

The reversal of impairment loss for the Sichuan Companies in respect of the 5.12 Earthquake was recognised as follows:

	Reversal of impairment loss in the current year HK\$'000
Property, plant and equipment	61,024
Goodwill	–
Prepaid lease payments	3,100
Available-for-sale financial assets	–
Trade and other receivables	8
Inventories	870
	<u>65,002</u>

As of the date of these consolidated financial statements, the Group has neither received nor been entitled to receive any compensation from the insurance companies or government. The Directors are of the opinion that the Group had no significant contingent liabilities and capital commitment arising from the 5.12 Earthquake at the balance sheet date.

9. FINANCE COSTS

	2009 HK\$'000	2008 HK\$'000
Interest on convertible notes	3,120	4,289
Interest on other loans	272	–
Interest on bank loans wholly repayable within five years	19,209	18,238
Interest on bank loans wholly repayable after five years	807	–
	<u>23,408</u>	<u>22,527</u>
<i>Less: amount capitalised in construction in progress (Note)</i>	<u>(11,315)</u>	<u>(8,079)</u>
	<u>12,093</u>	<u>14,448</u>

Note: The borrowing costs have been capitalised at a rate of 6.53 – 8.21% per annum (2008: 7.48% to 9.69%).

10. INCOME TAX EXPENSE

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits tax	–	5,042
– Overprovision in prior years	(757)	–
– PRC Enterprise Income Tax	13,560	11,837
– Overprovision in prior years	–	(37)
Deferred tax liabilities		
– Current year	(757)	(1,369)
– Change in tax rate	–	(6,734)
	<u>12,046</u>	<u>8,739</u>

11. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived after charging the following:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Staff costs, including directors' and supervisors' emoluments		
– Salaries, wages, allowances and benefits in kind	48,251	42,068
– Retirement benefits scheme contributions	2,587	2,221
– Equity-settled share-based payments	1,666	19,657
	<u>52,504</u>	<u>63,946</u>
Equity-settled share-based payments to non-employees	–	11,894
Cost of inventories recognised as expenses	446,970	477,310
Auditor's remuneration	1,800	2,800
Depreciation of property, plant and equipment	20,232	21,257
Amortisation of prepaid lease payments	801	671
Amortisation of intangible assets	5,382	4,401
Loss on disposal of property, plant and equipment	790	623
Impairment loss recognised in respect of trade and other receivables, net	3,256	759
Trade and other receivables written-off	–	5,189
Loss on fair value changes of investment properties	454	–
Share of tax of associates (included in share of results of associates)	4,438	3,024
	<u>4,438</u>	<u>3,024</u>

12. DIVIDEND

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the balance sheet date (2008: nil).

13. EARNINGS (LOSS) PER SHARE

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

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Earnings (loss)		
Profit (loss) for the year attributable to equity holders of the Company	<u><u>35,902</u></u>	<u><u>(309,456)</u></u>
Number of shares		
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings (loss) per share calculation	4,082,260,718	3,934,388,455
Effect of dilution – weighted averaged of number of potential ordinary shares:		
– share options	<u>–</u>	<u>46,920,793</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings (loss) per share calculation	<u><u>4,082,260,718</u></u>	<u><u>3,981,309,248</u></u>

The computation of diluted earnings (loss) per share for the years ended 31 March 2009 and 2008 do not assume the conversion of the Company's outstanding convertible notes and since their exercise would result in an increase in earnings per share and decrease in loss per share for year ended 31 March 2009 and 31 March 2008 respectively.

Diluted earnings (loss) per share for two years ended 31 March 2009 and 31 March 2008 has not be presented as the effect of any dilution is anti-dilutive.

14. TRADE AND OTHER RECEIVABLES

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current to 90 days	13,050	8,921
91 days to 180 days	1,211	402
Over 180 days	1,269	1,974
	<hr/>	<hr/>
Trade receivables	15,530	11,297
Advances to third parties (<i>Note</i>)	4,542	11,330
Advances to a related party	3,407	–
Prepayments	7,867	7,551
Bills receivable	307	5,558
Deposit paid/payment in advance to suppliers	45,707	40,099
Consideration receivable for the disposal of an associate	20,031	31,121
Others	5,054	5,300
	<hr/>	<hr/>
	102,445	112,256
	<hr/> <hr/>	<hr/> <hr/>

The movements in the impairment loss recognised in respect of trade receivables are as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
At 1 April	856	62
Impairment loss recognised	–	746
Reversal of impairment loss recognised in previous years	(32)	–
Amount written-off as uncollectible	(111)	(4)
Exchange realignment	20	52
	<hr/>	<hr/>
At 31 March	733	856
	<hr/> <hr/>	<hr/> <hr/>

Included in the impairment loss recognised are individually impaired trade receivables with an aggregate balance of approximately HK\$733,000 (2008: HK\$856,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history.

14. TRADE AND OTHER RECEIVABLES (Continued)

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
At 1 April	1,784	1,616
Impairment loss recognised	3,288	13
Amount written-off as uncollectible	(1,643)	(54)
Exchange realignment	42	209
	<hr/>	<hr/>
At 31 March	<u>3,471</u>	<u>1,784</u>

Included in the impairment loss recognised are individually impaired other receivables with an aggregate balance of approximately HK\$3,471,000 (2008: HK\$1,784,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history.

Note:

As at 31 March 2009 and 31 March 2008, 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.

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 2009, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK\$1,269,000 (2008: HK\$1,974,000) 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.

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.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Financial assets at FVTPL include:		
Listed securities:		
– Listed securities listed in Hong Kong, at fair value	<u>–</u>	<u>102,042</u>

The Group has adopted the HKAS 39 and HKFRS 7 (Amendments) and reclassified its financial assets at FVTPL into available-for-sale financial assets on 28 July 2008 (*Note 4*).

16. TRADE AND OTHER PAYABLES

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade payables, falling due in:		
0 – 3 months	19,851	19,262
4 – 6 months	6,011	2,577
Over 6 months	<u>12,957</u>	<u>12,462</u>
Trade payables	38,819	34,301
Deposit received from customers (<i>Note i</i>)	120,806	56,941
Convertible notes interest payable	910	910
Customer gas deposits and other deposit received	5,785	3,033
Gas Fuel income received in advance	31,851	29,454
Other payable for the purchase of property, plant and equipment	5,247	8,321
Consideration payable for the acquisition of additional equity interests in a subsidiary	6,813	8,892
Other loans (<i>Note ii</i>)	10,220	–
Accrued charges and other payables	<u>21,182</u>	<u>24,365</u>
	<u>241,633</u>	<u>166,217</u>

Notes:

- (i) Deposits received from customers represent the gas pipeline connection fee received but the pipelines have not yet been completed as at the balance sheet date.
- (ii) Other loans as at 31 March 2009 is unsecured, interest bearing at rates ranging from 5.58% to 7.47% per annum and repayable within one year.

17. COMMITMENTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Contracted for but not provided in the consolidated financial statements		
Capital expenditure in respect of:		
Investment in a subsidiary	–	30,000
Investment in an associate	27,277	–
Commitments in respect of the acquisition for:		
Property, plant and equipment	<u>110,145</u>	<u>302,783</u>
	<u>137,422</u>	<u>332,783</u>

18. PLEDGE OF ASSETS

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Property, plant and equipment	16,336	14,477
Investment properties	11,458	8,370
Intangible assets – exclusive rights of operations	51,461	52,176
Prepaid lease payments in respect of land use rights	<u>22,415</u>	<u>17,860</u>
	<u>101,670</u>	<u>92,883</u>

In addition to the above, the Group has also pledged its rights to receive fee income of certain subsidiaries in favour of banks to secure banking facilities granted to the Group as at 31 March 2009 and 2008 respectively.

19. POST BALANCE SHEET EVENTS

- (a) On 26 April 2009, the Company has entered into the sale and purchase agreement with China Gas Holdings Limited (the “Purchaser”), whose shares are listed on the main board of Stock Exchange and is independent third party, for the disposal of the entire share capital of Brilliant China Investments Limited (“Brilliant China”), a wholly-owned subsidiary of the Company, and its loan incurred by Brilliant China to the Company for a consideration of approximately HK\$323,664,000 for cash. Brilliant China held 100% equity interests in Zhongmin Zhongran and the main assets held by Zhongmain Zhongran is 45.45% of the equity interests in Fujian An Ran .

On 26 April 2009, Beijing Zhongmin Gas Company Limited (“Beijing Zhongmin”), a wholly-owned subsidiary of the Company, has entered into another sale and purchase agreement with Zhongran Gas (Shenzhen) Company Limited, a wholly owned subsidiary of the Purchaser, for the disposal of the 3.55% of the equity interests in Fujian An Ran for a consideration of RMB40,000,000 for cash.

19. POST BALANCE SHEET EVENTS (Continued)

(a) (Continued)

Those two sales and purchase agreements represented the disposal of 49% equity interests in Fujian An Ran Group at an aggregate consideration of approximately HK\$381.8 million for cash. Pursuant to the aforesaid sales and purchase agreements, the Purchaser has undertaken to pay or procure Zhongmin Zhongran to pay the outstanding registered capital of Fujian An Ran in the sum of RMB80,000,000 following the completion of the Disposal. The Disposal has been approved by the special general meeting of the Company held on 3 June 2009. The final amount of the actual gain or loss as a result of the Disposal will be determined as at the completion of the disposals.

The net assets of Brilliant China and Zhongmin Zhongran as at 31 March 2009 were as follows:

	<i>HK\$'000</i>
Available-for-sales financial assets	22,710
Bank balances and cash	203
Trade and other payables	<u>(22,834)</u>
	<u>79</u>

During the year ended 31 March 2009, Brilliant China and Zhongmin Zhongran contributed loss of approximately HK\$77,000 to the Group's profit for the year, contributed approximately HK\$80,000 to the Group's net operating cash flows, paid approximately HK\$22,707,000 and approximately HK\$22,785,000 in respect of investing activities and financing activities respectively.

- (b) On 11 May 2009, the Company announced that Beijing Zhongmin, a wholly-owned subsidiary of the Company, will make a capital injection of RMB24,000,000 (equivalent to approximately HK\$27,273,000) into Shenzhen Yongheng Lecai Technology Development Company Limited ("Yongheng Lecai") on the date before the 2nd anniversary date of its incorporation. Yongheng Lecai, in which Beijing Zhongmin owns 40% interest, is making an application for operation of welfare lottery related business. Upon the completion of the capital injection, Beijing Zhongmin will pay up all its portion of capital contribution.
- (c) On 11 May 2009, the Company, as lender, entered into the loan agreement with Yongheng Development Corporation Limited ("Yongheng Development") (the holding company of Yongheng Development Group (Shenzhen) Company Limited which hold 60% equity interests in Yongheng Lecai), as borrower, pursuant to which the Company has agreed to loan an amount of HK\$41,000,000 (equivalent to approximately RMB36,080,000) to Yongheng Development for a term of 1 year commencing on 12 May 2009 and ending on 11 May 2010 at an interest rate of 5% per annum. The loan will be used for the contribution of the registered capital of Yongheng Lecai.
- (d) On 15 June 2009, the Company has repaid the convertible notes of US\$20,000,000 in full.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

Our report on the consolidated financial statements of the Group for the year ended 31 March 2008 was disclaimed in view of the significance of the limitations on the scope of our audit resulting from insufficiency of supporting documentation and explanations. Due to the earthquake with a magnitude of 8.0 on the Richter scale struck in Sichuan Province of the People's Republic of China on 12 May 2008 (the "Earthquake"), certain of the Group's subsidiaries, namely, Mian Zhu City Han Wang Natural Gas Company Limited, Mian Zhu City Hong Sen Natural Gas Company Limited, Mian Zhu City Long Teng Gas Installation Company Limited, Yan Ting Zhongmin Natural Gas Co., Ltd. (formerly known as Longxing (Yan Ting) Natural Gas Company Limited) ("Longxing") and Bei Chuan County Zhongmin Gas Company Limited (collectively referred to as the "Sichuan Companies") located in Sichuan Province were severely affected. The accounting books and records of the Sichuan Companies except Longxing were destroyed and not be able to be recovered. As a result, we were unable to carry out audit procedures to satisfy ourselves as to whether the assets, liabilities, income, expenses, commitments and contingent liabilities in respect of the Sichuan Companies and the impairment loss of HK\$223,424,000 with respect to the assets of Sichuan Companies have been accurately recorded and properly accounted for in the consolidated financial statements. Accordingly, we were unable to express an opinion as to whether the net assets of the Group as at 31 March 2008 and the loss and cash flows and the related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2008 were fairly stated.

Any adjustments found to be necessary to the opening balances as at 1 April 2008 may affect the results and cash flows and the related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2009. Also the comparative figures in respect of the net assets of the Group as at 31 March 2008 and the results and cash flows and the related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2008 may not be comparable with the figures for the current year.

For the year ended 31 March 2009, due to the lack of certain accounting books and records for the period before 12 May 2008 for our inspection caused by the Earthquake, we were unable to carry out audit procedures to satisfy ourselves as to whether the income and expenses of the Sichuan Companies except Longxin have been accurately recorded and properly accounted for in the consolidated financial statements.

Income and expenses of the Sichuan Companies except Longxin in this relation which have been included in the consolidated financial statements for the year ended 31 March 2009 are stated as below:

Turnover	HK\$11,109,000
Cost of sales	HK\$9,086,000
Other operating income	HK\$28,000
Administrative expenses	HK\$744,000
Reversal of impairment loss	HK\$65,002,000
Finance costs	HK\$48,000

EXTRACT OF INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Basis for disclaimer of opinion (Continued)

As a result of the limitation of scope in our work with respect to the Sichuan Companies as mentioned above, we were also unable to assess whether the reversal of the impairment loss of HK\$65,002,000 in respect of assets of the Sichuan Companies recognised for the year ended 31 March 2009.

There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the abovementioned matters. Any adjustment to these figures may have a consequential significant effect on the profit for the year ended 31 March 2009.

Disclaimer of opinion: Disclaimer on view given by limitation of scope

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 March 2009 and of its profit and cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other aspects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirement of the Hong Kong Companies Ordinance.

Emphasis of matters

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group had net current liabilities of approximately HK\$327,446,000 as at 31 March 2009. In forming our opinion, we have considered the adequacy of disclosures made in the consolidated financial statements concerning the adoption of the going concern basis for the preparation of the consolidated financial statements. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The consolidated financial statements do not include any adjustments that would result from a failure of the Group to obtain such future funding. We consider that the fundamental uncertainty has been adequately disclosed in the consolidated financial statements and our opinion is not qualified in this respect.

FINANCIAL HIGHLIGHTS

Items	2009 HK\$'000	2008 HK\$'000	Change HK\$'000
Turnover:			
Provision of piped gas fuel business	312,141	425,846	(113,705)
Transportation and distribution of LPG and retail of bottled LPG business	267,369	193,830	73,539
Total	579,510	619,676	(40,166)
Gross profit:			
Provision of piped gas fuel business	90,816	119,340	(28,524)
Transportation and distribution of LPG and retail of bottled LPG business	41,724	23,026	18,698
Total	132,540	142,366	(9,826)
Segment results:			
Provision of piped gas fuel business	25,979	58,640	(32,661)
Transportation and distribution of LPG and retail of bottled LPG business	15,568	9,626	5,942
Total	41,547	68,266	(26,719)

In the reporting period, the Group recorded turnover of approximately HK\$579,510,000, representing a decrease of 6.48% from the last year.

Gross profit of approximately HK\$132,540,000, representing a decrease of 6.9% from the last year.

Profit attributable to the shareholders approximately HK\$35,902,000, while it was loss attributable to the shareholders approximately HK\$309,456,000 in last year.

Basic earnings per share of HK\$0.88 cents, while loss per share of 7.87 cents in last year.

Operating net cash inflow of approximately HK\$100,861,000, representing an increase of 6.46% from the last year.

Net cash used in investing activities of approximately HK\$162,156,000, representing an increase of 27.99%.

Net cash generating from financing activities of approximately HK\$66,424,000, representing 15.2 times increase from the last year.

Net cash and cash equivalents at the end of the year increased to approximately HK\$176,952,000, representing an increase of 3.90% from the last year.

BUSINESS REVIEW

Provision of piped gas fuel business

Supplying piped gas fuel to urban household and commercial & industrial customers by constructing urban gas pipeline networks in the PRC is the principal business of the Group, which is the Group's major source of income.

During the year ended 31 March 2009, the Group achieved piped gas fuel sales of 124.77 million m³ in total, representing a decrease of 31.3% as compared with the corresponding period of last year. Among which, the sales of 24.31 million m³ of gas fuel to household customers represented a decrease of 44.2% as compared to the corresponding period of last year as well as the sales of 100.46 million m³ of gas fuel to commercial & industrial customers, representing a decrease of 27.2% as compared with the corresponding period of last year.

During the year ended 31 March 2009, the Group had accumulated connection work completion for a number of 205,867 household customers, an increase of 2.8% from the corresponding period of last year and 2,229 commercial & industrial customers, a decrease of 84.7% from the corresponding period of last year. The slowdown in household customers and decrease in commercial & industrial customers were primarily attributable to the fact that connected customers of our several subsidiaries located at the disastrous areas were suffered from the damage and collapse of housings, shops and factories during the 5.12 Wenchuan Mega Earthquake, resulting in a loss of connected customers. Excluding the decrease in number of customers brought by the earthquake, the number of household customers and commercial & industrial customers were increased by 13.5% and 1.5% respectively as compared with the corresponding period last year.

During the year ended 31 March 2009, the provision of piped gas fuel business of the Group recorded a turnover of approximately HK\$312,141,000, representing a decrease of 26.7% as compared with the corresponding period last year. Turnover from the provision of piped gas fuel accounted for 53.9% of the annual turnover of the Group. The decreases in the number of connected and turnover were mainly due to (1) the disposal of a project company in the previous year, of which the results up to the date of disposal was still reflected in the consolidated financial statements for the previous year, and (2) 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 Wenchuan Mega Earthquake. For details, please refer to the section headed "Reconstruction After the Sichuan Earthquake".

Transportation and distribution of LPG and retail of bottled LPG business

Transportation and distribution of LPG and retail of bottled LPG is a newly added business of the Group in 2007. With the joint efforts of all our staff, the business development of LPG business continued to mature with sales revenue increase progressively year by year, and have become another major income source of the Group.

BUSINESS REVIEW (CONTINUED)

Transportation and distribution of LPG and retail of bottled LPG business (Continued)

During the year ended 31 March 2009, the sales of LPG by the Group reached 46,003 tons in total, representing an increase of 20.2% over the corresponding period of last year and the Group realized an income from sales of LPG of approximately HK\$267,369,000, representing an increase of 37.9% over corresponding period of last year. The Group's income from the transportation and distribution of LPG and retail of bottled LPG accounted for approximately 46.1% of the Group's turnover during the year.

Video lottery system and equipment supply business

In December 2008, the Group invested through the establishment of a joint venture "Shenzhen Yongheng Lecai Technology Development Company Limited" (深圳市永恆樂彩科技開發有限公司) ("Yongheng Lecai") in Shenzhen, PRC, details of which is set out in the section headed "New Projects During the Reporting Period". Yongheng Lecai is engaged in the development of software with intelligent electronic engineering technology, the development and operation of real estate development on lands with legitimate land use right, and industrial investment and trading (specific projects to be applied separately). Currently, Yongheng Lecai is actively applying to relevant authorities for investing and engaging in the development of lottery software technology for Asia and establishing a production base in Shenzhen, as well as acting as agent and distributor for national welfare business. During the reporting period, the lottery business of the Group has not yet to commence operation.

RECONSTRUCTION AFTER THE SICHUAN EARTHQUAKE

On 12 May 2008, a rarely seen historical earthquake struck Wenchuan County of Sichuan Province, resulting in catastrophic casualties and losses in properties. 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 and the sharp decline of connected household customers and commercial & industrial customers. Meanwhile, some of the companies even suffered disruptions to the supply of piped gas fuel business, inflicting certain impact on the Group's overall operational results in 2008/09. Such companies include Bei Chuan County Zhongmin Gas Co., Ltd. ("Bei Chuan Zhongmin"), Mian Zhu City Han Wang Natural Gas Co., Ltd. ("Mian Zhu Han Wang"), Mian Zhu City Hong Sen Natural Gas Co., Ltd., Mian Zhu City Long Teng Gas Installation Co., Ltd., Yan Ting Zhongmin Natural Gas Co., Ltd., Chongqing Zhongmin Gas Co., Ltd and Xi'an Zhongmin Gas Co., Ltd.

After the disaster, with the support of local governments and under the leadership of our management, by overcoming tremendous difficulties, all the staff of our subsidiaries in the disastrous areas rushed to repair the gas pipeline networks damaged by the earthquake and strive to resume the supply of piped gas fuel. As at 31 March 2009, the Group had a confirmed direct economic loss of approximately HK\$214,920,000 brought by 5.12 Wenchuan Mega Earthquake, which is mainly the severe damages of gas pipeline network during the earthquake and the impairment of goodwill of respective companies. Apart from the gas supply of Bei Chuan Zhongmin and Mian Zhu Han Wang which are still not fully restored, the gas supply of other affected subsidiaries have already resumed.

RECONSTRUCTION AFTER THE SICHUAN EARTHQUAKE (CONTINUED)

To assist in the post-earthquake reconstruction and recovery works, the PRC government put forth a series of encouraging policies such as income tax reduction, expanding the scope of value-added tax allowance and subsidized loans. By officially published the schedule of post-earthquake restoration and reconstruction in April 2009, Sichuan Province highlighted the restoration of the projects relevant to people livelihood like housing as top priority and put more efforts on the reconstruction of ancillary infrastructure projects including water and electricity. Under the support of these policies, our subsidiaries in the disastrous areas will actively coordinate with local governments to ensure the provision of piped gas fuel and support the smooth development of post-earthquake reconstruction. At the same time, the Group will leverage on the opportunities arising from the overall planning in respect of post-earthquake reconstruction, speed up the marketing development of household and commercial & industrial customers of our subsidiaries in the disastrous areas and enhance the scale of gas fuel supply, thereby realizing the swift development of the above companies.

NEW PROJECTS DURING THE REPORTING PERIOD

Establishing Shenzhen Yongheng Lecai Technology Development Company Limited

In December 2008, Beijing Zhongmin Gas Co., Ltd. (“Beijing Zhongmin”), a wholly-owned subsidiary of the Group, and Yongheng Development Group (Shenzhen) Company Limited jointly invested to set up Yongheng Lecai, a joint venture company in Shenzhen, PRC. The registered capital of Yongheng Lecai is RMB75,000,000, among which, the contribution from Beijing Zhongmin is RMB30,000,000, holding 40% equity interest of Yongheng Lecai. Yongheng Lecai is engaged in the development of software with intelligent electronic engineering technology, the development and operation of real estate development on lands with legitimate land use right, and industrial investment and trading (specific projects to be applied separately). Currently, Yongheng Lecai is actively applying to relevant authorities for investing and engaging in the development of lottery software technology for Asia and establishing a production base in Shenzhen, as well as acting as agent and distributor for national welfare business.

Establishing Zhongmin Haiyou (Nanping) Gas Company Limited

In January 2009, Nanping An Ran Gas Co., Ltd. (“Nanping An Ran”), a subsidiary of the Group, and Fujian Zhongmin CNOOC Gas Co., Ltd jointly invested to set up Zhongmin Haiyou (Nanping) Gas Company Limited, a joint venture company in Nanping, Fujian Province, with the registered capital of RMB7,500,000. Among which, the contribution from Nanping An Ran is RMB3,000,000, holding its 40% equity interest. Zhongmin Haiyou (Nanping) Gas Company Limited is engaged in fuel gas engineering investment; natural gas wholesale (excluding production, storage, transmission and distribution, supplying and filling) (for the above operating scope that involves operating permit, permissions from the relevant authorities shall be obtained before operation).

BUSINESS DISPOSED DURING THE REPORTING PERIOD

Disposal of 50% equity interest in Yin Chuan Zhongmin

In order to optimize the Group's business structure and capture the opportunity of realizing its investment, 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. After the disposal, Yin Chuan Zhongmin ceased to be an associate of the Group. The sale proceeds were used as the Group's general working capital.

FINANCIAL REVIEW

Gross profit

For the year ended 31 March 2009, the Group realized a gross profit from business operation of HK\$132,540,000 (2008: HK\$142,366,000), representing a decrease of 6.9% as compared with the corresponding period last year. The overall gross profit margin was 22.9%, maintaining almost the same level with the previous year. The decrease of gross profit was mainly attributable to the following reasons:

- (1) During the year, the subsidiaries of the Group located in Sichuan, Chongqing and adjacent areas were affected by the earthquake and the business of supplying piped gas fuel was once suspended (see "Reconstruction After the Sichuan Earthquake"), resulting a decline of the Group's turnover, which led to a decrease in overall gross profit amount. This impact had been improved after the restoration of gas supply from the subsidiaries affected by the earthquake and the smooth progress of reconstruction works; and
- (2) During the year, subsidiaries of the Group located in Fujian Province was affected by gas fuel resources shortage, augmented by its higher purchasing costs when compare with other subsidiaries, this had led to a limitation to the amount in supplying piped gas fuel and the number of new connected customers. As a result, the Group's turnover and its overall gross profit were affected. Such impacting factor is expected to be improved after receiving of Indonesia LNG in Fujian Province in 2009.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2009, the total assets of the Group was approximately HK\$1,530,375,000, and current liabilities, non-current liabilities, shareholders' equity and minority interests were approximately HK\$642,427,000, HK\$185,810,000, HK\$633,328,000 and HK\$68,810,000 respectively.

As at 31 March 2009, the Group's cash and cash equivalents amounted to approximately HK\$176,952,000 (2008: approximately HK\$170,318,000) and the total borrowings was equivalent to approximately HK\$320,161,000 (2008: approximately HK\$226,341,000). The debt-to-capitalization ratio, representing the ratio of total borrowings to total borrowings and capital (excluding minority interests), was 28.6% (2008: 21.9%).

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

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 lowered 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 at 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 bonds. As at 31 March 2009, the convertible notes with an amount of US\$20,000,000 (equivalent to approximately HK\$155,000,000) were converted into 258,333,332 ordinary shares of the Company. The balance of convertible notes with an amount of US\$20,000,000 (equivalent to approximately HK\$155,000,000) remained outstanding. On 15 June 2009, the Company redeemed such convertible notes at 106% of the principal amount pursuant to the Subscription Agreement.

BORROWING STRUCTURE

As at 31 March 2009, the total borrowings of the Group was approximately HK\$320,161,000 (2008: approximately HK\$226,341,000), which included domestic bank loans and other loans denominated in Renminbi of the project companies in the PRC. The borrowings were applied to gas pipeline construction, general working capital and for operating expenses, carried interest at floating fixed rates or the interest rate announced by PBOC. Apart from the loans with an amount equivalent to approximately HK\$217,561,000 were pledged with certain assets with an carrying amount of approximately HK\$101,670,000, others were unsecured. Short-term borrowings amounted to approximately HK\$156,059,000, while others were long-term loans due after 1 year.

CAPITAL STRUCTURE

The Group’s long-term capital comprises shareholders’ equity and debt, which includes the bank and other borrowings and convertible notes, that is confirmed by the sound debt-to-capitalization ratio discussed in the section headed “Liquidity and capital resources” above.

EXPOSURE TO FOREIGN EXCHANGE RISK

All of the Group’s operation are carried out in the PRC and substantially all of its income and expenses were denominated in RMB. During the year ended 31 March 2009, the continuous appreciation of RMB has been favourable to the Group as a whole. The Group will closely monitor the market interest rates and make appropriate adjustment when necessary.

CONTINGENT LIABILITIES

As at 31 March 2009, the Group had no material contingent liabilities.

PROSPECT

Piped gas fuel business

Under that the global widespread of financial crisis, in order to maintain the continuous and healthy development of the Chinese economy, the PRC government has launched a series of policies to stimulate the economy, so as to maintain the growth rate of the Chinese economy at above 8% in 2009. The continuous development of the Chinese economy will definitely drive the demand for energy including natural gas. At present, the natural gas in China has just unveiled its massive scale development. The next few decades will be the surging period for the development of natural gas in terms of development cycle. Accompanied by the massive scale development in natural gas industry, it has become an inevitable requirement to further rationalize natural gas pricing mechanism and construct large-scale natural gas projects. With further deepening of the reformation of natural gas pricing mechanism and the completion and operation of a series of large-scale projects represented by the gas transmission from West to East project and coastal LNG project, China's natural gas industry will continue its rapid development and the piped gas fuel business of the Group will also be benefited.

LPG business

In Yunnan, Guizhou, the south-western regions of Hunan Province of China, due to the lacking of natural gas resources, there is still a strong market demand for LPG in a relative longer period of time. After the continuous development for more than two years, the Group's LPG business has gradually developed a business operation model integrating transportation, wholesaling and retailing of bottled LPG. This business has also attained certain market scale within its areas of coverage and has a relatively stable customer groups. The development of LPG business is gradually matured.

The Group will continue to research and master the market discipline of LPG, tap in depth the aspects of transportation, wholesaling, retailing and others, establish a scientific business operation mechanism, increase retail outlets to cover more customer sources and expand the bottled LPG retail market that has a higher profit margin. The Group will also dedicate to establish its branding and improve service quality in local market, striving to achieve better operating performance.

Lottery business

According to statistics from China's Ministry of Finance, total sales revenues of lottery of the state in 2008 reached RMB106.0 billion, exceeding a 100 billion for two consecutive years. Of which, total sales of welfare lottery reached RMB60.4 billion, total sales of sports lottery reached RMB45.6 billion, a market with tremendous potential. The Group believes, with the continuous development of the Chinese economy, the continuous increase of people's disposable income as well as the promulgation and implementation of "Regulations on Management of Lottery", the lottery industry in China will usher in a better development opportunity. Yongheng Lecai's lottery business, after its approval, will bring in remarkable returns and abundant cash flow for the Group.

PROSPECT (CONTINUED)

LPG business (Continued)

Look forward to the future, the Group will actively expand the piped gas fuel market, steadily increase the number of customers connected with piped gas fuel and the sales volume; continue to perform in-depth development of LPG business and constantly open up the market scope and the scale of business. At the same time, the Group will also contribute active efforts to gain the approval for the lottery business from the government as early as possible so as to achieve the diversification development strategy of the Group, with an aim to acquiring greater values and returns on investment for all 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 2009.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

On 11 August 2008, the Company repurchased its 100,000 ordinary shares at HK\$0.07 each in the share capital of the Company at a price of HK\$0.099 per share. Apart from that, 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 2009.

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 Tuesday, 22 September 2009.

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, 10 July 2009