



CHINESE PEOPLE GAS HOLDINGS COMPANY LIMITED

中民燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 681)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2005

The board of directors (the "Directors") of Chinese People Gas Holdings Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005, together with the comparative figures for the year ended 31 March 2004, as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	2	78,787	38,243
Cost of sales		(35,177)	(35,246)
Gross profit		43,610	2,997
Other operating income		3,928	1,424
Administrative expenses		(15,725)	(15,135)
Allowance for properties held for sale		(6,000)	–
Write back of allowance for doubtful debts		–	2,233
Profit (loss) from operations		25,813	(8,481)
Finance costs	4	(641)	(518)
Share of results of associates		2,784	–
Share of result of a jointly-controlled entity		(1)	(25)
Profit (loss) before taxation		27,955	(9,024)
Taxation	5	(12,123)	(135)
Profit (loss) before minority interests		15,832	(9,159)
Minority interests		(496)	27
Net profit (loss) for the year		15,336	(9,132)
		HK cents	HK cents
Earnings (loss) per share			
Basic	6	0.61	(0.63)
Diluted	6	0.55	N/A

Notes:

1. Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31 March 2005.

The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. Business and Geographical Segments

(a) Business segment

For management purposes the Group is currently organised into four operating divisions - property holding and investment, supply of natural gas, gas pipeline connection and glass product upon the completion of acquisition of certain subsidiaries. These divisions are the basis on which the Group reports its primary segment information.

In prior year, the Group was organised into four operating divisions - building services (single-trade), packaged/design and build contracts, environmental engineering services and property holding and investments. Upon the completion of disposal of Kenworth Group, the business of building services (single-trade), packaged/design and build contracts and environmental engineering services were discontinued.

Summary details of the business segments are as follows:

	Property holding and investment		Supply of natural gas		Gas pipeline connection		Glass product		Discontinued operations						Consolidated		
									Building services (single-trade)		Packaged design and build contracts		Environmental engineering services				
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
	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	HKS'000	HKS'000	
Turnover	-	-	28,632	-	41,738	-	6,680	-	309	10,107	419	26,433	1,009	1,703	78,787	38,243	
Other operating income	2,293	1,351	540	-	180	-	477	-	-	2	-	6	5	1	3,495	1,360	
	<u>2,293</u>	<u>1,351</u>	<u>29,172</u>	<u>-</u>	<u>41,918</u>	<u>-</u>	<u>7,157</u>	<u>-</u>	<u>309</u>	<u>10,109</u>	<u>419</u>	<u>26,439</u>	<u>1,014</u>	<u>1,704</u>	<u>82,282</u>	<u>39,603</u>	
Segment results	(4,393)	904	3,674	-	34,457	-	1,320	-	(405)	(1,553)	(514)	(5,418)	(1,341)	(553)	32,798	(6,620)	
Unallocated other operating income															433	64	
Unallocated corporate expenses															(7,418)	(1,925)	
Profit (loss) from operation															25,813	(8,481)	
Finance costs															(641)	(518)	
Share of results of associates	-	-	2,784	-	-	-	-	-	-	-	-	-	-	-	2,784	-	
Share of result of a jointly-controlled entity	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(25)	(1)	(25)
Profit (loss) before taxation															27,955	(9,024)	
Taxation															(12,123)	(135)	
Profit (loss) before minority interests															15,832	(9,159)	
Minority interests															(496)	27	
Net profit (loss) for the year															<u>15,336</u>	<u>(9,132)</u>	

(b) Geographical segments

For the year ended 31 March 2005, over 90% of the Group's sales are made in the PRC and over 90% of the Group's assets are situated in the PRC. Accordingly, no segmental analysis of geographical segments is presented for the year.

3. Discontinued Operations

On 18 February 2004, the Group entered into an agreement to dispose of its entire 100% equity interest in Kenworth Group Limited ("Kenworth Group") and its related shareholder's loan to Deson Development International Holdings Limited ("Deson") for a consideration of HK\$7,000,000. Upon completion of the disposal of Kenworth Group on 30 April 2004, the Group discontinued its business in the provision of electrical and mechanical engineering services (single-trade), which includes building services, packaged/design and build contracts and environmental engineering services.

The turnover, other revenue, expenses and results of the discontinued operations for the period from 1 April 2004 to the date of discontinuance, which have been included in the consolidated income statement are as follows:

	2005	2004
	HKS'000	HKS'000
Turnover	1,737	38,243
Cost of sales	(1,699)	(35,246)
Gross profit	38	2,997
Other operating income	5	73
Administrative expenses	(2,303)	(12,799)
Write-back of provision for doubtful debts	-	2,233
Loss from operating activities	(2,260)	(7,496)
Finance costs	(16)	(182)
Share of loss of a jointly-controlled entity	(1)	(25)
Loss before minority interests	(2,277)	(7,703)
Minority interests	1	27
Net loss attributable to shareholders	<u>(2,276)</u>	<u>(7,676)</u>

4. Finance Costs

	2005 <i>HKS '000</i>	2004 <i>HKS '000</i>
Interest on convertible notes	–	81
Interest on bank loans and overdrafts:		
wholly repayable within five years	228	182
wholly repayable after five years	413	255
	<u>641</u>	<u>518</u>

5. Taxation

	2005 <i>HKS '000</i>	2004 <i>HKS '000</i>
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	11,603	135
Taxation attributable to the Company and its subsidiaries	11,603	135
Share of taxation attributable to associates	520	–
	<u>12,123</u>	<u>135</u>

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

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

Pursuant to the relevant law and regulations in the PRC, certain Company's PRC subsidiaries are entitled to exemption from PRC Enterprise Income Tax for two years commencing from their first profit-making year of operation and thereafter, they are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. During the year, Enterprise Income Tax has been provided in the financial statements for one of the PRC subsidiaries at 50% of the applicable tax rate as it is under the income tax relief. For other PRC subsidiaries they were subject to income tax rate of 33% on their taxable profits.

No share of taxation attributable to jointly controlled entities by the Group as the jointly controlled entities did not have any taxable profit for both years.

The taxation for the year can be reconciled to the profit (loss) per the income statements as follows:

	2005 <i>HKS '000</i>	2004 <i>HKS '000</i>
Profit (loss) before taxation	27,955	(9,024)
Tax at the applicable tax rate of 33% (2004: 17.5%)	9,225	(1,579)
Tax effect of share of results of associates	(399)	–
Tax effect of income not taxable in determining taxable profit	(747)	(83)
Tax effect of expenses not deductible for tax purpose	4,521	122
Tax loss not recognised	726	1,577
Tax effect of 50% income tax relief granted to a subsidiary	(1,863)	–
Effect of different tax rate of subsidiaries	544	–
Others	116	98
Taxation for the year	<u>12,123</u>	<u>135</u>

33% and 17.5% represent the applicable tax rate of PRC and Hong Kong. As the principle business is operated in the PRC, 33% is adopted for the current year.

6. Earnings (Loss) per Share

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

	2005 <i>HKS '000</i>	2004 <i>HKS '000</i>
Net profit (loss) for the year	15,336	(9,132)
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,524,716	1,440,382
Effect of dilutive potential ordinary shares:		
Options	264,602	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>2,789,318</u>	

Diluted loss per share for the year ended 31 March 2004 has not assumed the conversion of the convertible notes expired in prior year because the conversion would decrease net loss per share.

DIVIDENDS

The Directors do not recommend the payment of a final dividend in respect of the year.

BUSINESS AND SEGMENT INFORMATION REVIEW

The Group's turnover for the year was HK\$78,787,000. This represented an increase of 106% as compared with that of last year. The net profit for the year was HK\$15,336,000. Basic earnings per share is HK\$0.0061.

Natural Gas Business

During the year, the Group acquired 100% interests in Xin Hua Resource Investment Limited ("Xin Hua"). Xin Hua is an investment holding company and is beneficially interested in the entire equity interest in Beijing Zhong Min Gas Company Limited ("Zhong Min"). Zhong Min was beneficially interested in 99.99% of each of Mian Zhu City Hong Sen Natural Gas Co., Limited ("Hong Sen") and Mian Zhu City Long Teng Gas Installation Co., Limited ("Long Teng"). Hong Sen is principally engaged in the distribution and supply of piped natural gas in the PRC whilst Long Teng is principally engaged in the installation of natural gas distribution facilities in PRC. Zhong Min is also beneficially interested in 99% equity interest of LongXin (YanTing) Natural Gas Company Limited ("Yan Ting"). Yan Ting is principally engaged in distribution and supply of piped natural gas and installation of natural gas distribution facilities in the PRC.

As the acquisition of 100% interests in Xin Hua was completed on 25 October 2004, only approximately 5 months' financial results of Xin Hua and its natural gas subsidiaries can be consolidated into the income statement of the Group.

Discontinued operation in Electrical and Mechanical Engineering Services Business

Due to the weak local economy and the keen competition in the local construction industry, the electrical and mechanical engineering services ("E&M") segment had record operating losses for the past years. The Directors considered the disposal of E&M business provides an opportunity for the Group to dispose of such loss-making operation and improve the financial performance of the Group. During the year, the Group disposed the E&M business to Deson Development International Holdings Limited ("Deson"), the previous holdings company of the Company and the Group is no longer be engaged in the provision of E&M services and related business.

Property Holdings and Investment Business

To strengthen the financial and asset positions, the Group acquired 24th, 27th and 28th floor of Zhongda Square, Shanghai, PRC together with 19 carparks in May 2003 at a total consideration of HK\$46,000,000. The consideration was satisfied by the issue of 657,142,857 Shares. On 30 April 2004, the Group further acquired 3A floor of Zhongda Square at a consideration of HK\$7,500,000. The Group now has a total of 3,632.20 square metres of Zhongda Square together with 19 car parks as the reserve for property holdings and investment purpose.

Details of acquisition of natural gas business and the disposal of E&M business are included in "Material transactions" section of this announcement. After the reorganisation and acquisitions took place on 30 April 2004 and 25 October 2004, respectively, the principal activities of the Group are the distribution, supply and installation of piped natural gas and property holding and investment. The increase in turnover and profit during the year mainly attributable to the newly acquired nature gas business.

PROSPECTS

Natural Gas Business

The PRC has historically relied heavily on coal as its primary energy source but the PRC government in recent years encouraged the use of other more environmentally friendly forms of fuel such as natural gas to combat the pollution and environmental damage caused by coal combustion. The natural gas market currently only share a very low percentage of the total energy source supply in PRC and the Directors are of the view that this business segment has a high potential for future growth.

As stated in the announcement of the Company on 17 November 2004 and 10 May 2005, respectively, the Group signed a total of four letters of intent with independent third parties for the acquisition of certain interests in four natural gas businesses in PRC. The negotiations are still in progress and at an early stage and the Group will make appropriate announcement in this regard as and when required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The total population and number of families of the city of Mian Zhu is 100,000 and 35,000, respectively and the total population and number of families of the city of Yan Ting is 60,000 and 20,000, respectively. The existing natural gas network only covers 59% and 60% of the total capacity of the city of Mian Zhu and the city of Yan Ting, respectively. The Directors are confident that income from the installation of remaining natural gas network and recurring income from the supply of natural gas in these two cities will have a significant contribution to the Group.

Property Holdings and Investment Business

The growth of economy in the PRC especially Shanghai is significant in these few years. This will have a positive impact on the commercial property market and the Group currently has a total of 3,632.2 square metres of Zhongda Square together with 19 car parks as the reserve for property holdings and investment purpose can benefit from this economy growth. In addition, the Directors believe the hosting of the World Expo in 2010 which will have a positive impact on the PRC property market and the property holding and investment segment will continue to contribute a sizeable contribution to the Group's operating results in coming years.

MATERIAL TRANSACTIONS

On 18 February 2004, the Group entered into agreements with independent third parties to acquire an aggregate 49% equity interest in Xin Hua and its related shareholders' loans for HK\$29,500,000 (the "Xin Hua Acquisition"). The consideration was satisfied by way of issuing 295,000,000 shares of the Company at HK\$0.10 each.

On 18 February 2004, the Group entered into an agreement with Deson to acquire the entire issued share capital of Penmark Limited ("Penmark") and its related shareholder's loan at a consideration of HK\$7,500,000 (the "Penmark Acquisition"). The consideration was satisfied by issuing 75,000,000 shares of the Company at HK\$0.10 each. The Company also granted Deson an option to subscribe for one option share for every two shares issued at the option exercise price of HK\$0.105 per option share.

On 18 February 2004, the Group entered into an agreement with Deson to dispose of the entire issued share capital of Kenworth Group Limited and its shareholder's loan for HK\$7,000,000 to Deson (the "Kenworth Disposal"). The consideration was paid by Deson in cash.

On 18 February 2004, the Company entered into a placing agreement with a placing agent to place up to 800,000,000 new shares at a price of HK\$0.10 each (the "Placing Agreement"). The placing agent agreed to place to not less than six independent places i) 200,000,000 placing shares on a fully underwritten basis and ii) 600,000,000 placing shares on a best endeavours basis. An aggregate of 400,000,000 placing shares were successfully placed. Pursuant to the Placing Agreement, the Company granted each place a placing option which will entitle the place to subscribe for one option share for every two placing shares subscribed for by the place at the option exercise price of HK\$0.105 per option share.

On 18 February 2004, the Company entered into a subscription agreement with Super Win Development Limited ("Super Win"), the immediate holding company of the Company (the "Subscription"). The Company issued 325,000,000 new shares to Super Win at a price of HK\$0.10 each for an aggregate consideration of HK\$32,500,000. Pursuant to the Subscription, Super Win will be entitled to subscribe for one option share for every two shares subscribed for at the option exercise price of HK\$0.105 per option share.

On 2 August 2004, Brilliant China Investments Limited ("Brilliant China"), a subsidiary of the Company, entered into an agreement with an independent third party to acquire 51% shareholding interests in Xin Hua, an associate of the Company at the time of acquisition for HK\$65 million. The consideration was paid by Brilliant China in cash out of the internal resources of the Group.

On 6 August 2004, a special resolution was proposed regarding the name of the Company to be changed to "Chinese People Gas Holdings Company Limited" and the Chinese translation of the name of the Company be changed from "基電控股有限公司" to "中民燃氣控股有限公司" for identification purpose only.

Transactions (1) to (5) were approved by independent shareholders and shareholders of the Company at a special general meeting on 16 April 2004 and completed on 30 April 2004. Transactions (6) and (7) were approved by shareholders of the Company at a special general meeting on 20 October 2004 and completed on 25 October 2004.

POST BALANCE SHEET EVENT

On 27 June 2005, the Group disposed of certain properties held for sale at a consideration of approximately HK\$14,000,000. The loss on disposal amounted to approximately HK\$351,000.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2005, the Group had total assets of HK\$260,351,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$81,806,000, HK\$11,146,000, HK\$165,565,000 and HK\$1,834,000 respectively.

The Group continued to maintain a low gearing ratio, at 6.24%. It was calculated based on the long term borrowings of HK\$11,146,000 and long term capital of HK\$178,545,000.

CONNECTED TRANSACTIONS

On 18 February 2004, the Group entered into the following connected transactions:

the First Xin Hua Acquisition;
the Penmark Acquisition;
the Kenworth Disposal; and
the Subscription.

The above transactions were approved by the shareholders/independent shareholders of the Company at a special general meeting on 16 April 2004 and completed on 30 April 2004.

CAPITAL STRUCTURE

The Group's long-term capital mainly comprised of shareholders' equity which is confirmed with the low gearing ratio as discussed in the section "Liquidity and capital resources" above.

RISK OF CURRENCY FLUCTUATION

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi. Since Hong Kong dollar and Renminbi is relatively stable, we consider the exchange risk is not significant.

CONTINGENT LIABILITIES

As at 31 March 2005, there were no material contingent liabilities to the Group.

EMPLOYEE SCHEMES

As at 31 March 2005, the Group had 356 employees, 350 of whom were based in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonus and share options are linked to individual performance as recognition of and reward for value creation.

CAPITAL COMMITMENTS

As at 31 March 2005, the Group did not have any significant capital commitment.

CHARGES ON GROUP ASSETS

The bank loans and the Group's banking facilities are secured by the Group's time deposit of HK\$130,000 and completed properties for sale of HK\$41,569,000.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice (the "Code"), for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code, as set out in the Appendix 14 of the Listing Rules throughout the accounting period covered by this annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors on terms no less exactly than the required standard set out in the Model Code. Having made specific enquiry of the Directors, none of the Directors has not complied with, for any part of the accounting period under review, the required standard set out in the Model Code and its code of conduct regarding directors securities transactions.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcement in respect of accounting period commencing before 1 July 2004 under the transitional arrangements, will be published on the Stock Exchange's website in due course.

By Order of the board of
Mo Shikang
Managing Director and Executive Director

Hong Kong, 22 July 2005

As at the date of this announcement, the executive Directors of the Company are Mr. Xu Ruixin, Mr. Liu Jing, Mr. Mo Shikang, Mr. Zhu Peifeng, Mr. Zhang Heshang, Mr. Jin Song and Mr. Yan Wing Cheung and the independent non-executive Directors are Mr. Liu Junmin, Mr. Tan Qinglian and Mr. Wong Shing Kay, Oliver.

* *For identification only*

Please also refer to the published version of this announcement in The Standard.