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CHI PEOPLE GAS<00681> - Results Announcement

Chinese People Gas Holdings Company Limited announced on 01/09/2006:
(stock code: 00681)
Year end date: 31/03/2006
Currency: HKD
Auditors' Report: Unqualified

	(Audited) Current Period from 01/04/2005 to 31/03/2006	(Audited) Last Corresponding Period from 01/04/2004 to 31/03/2005
	Note ('000)	('000)
Turnover	: 240,607	81,080
Profit/(Loss) from Operations	: 89,863	25,813
Finance cost	: (2,907)	(641)
Share of Profit/(Loss) of Associates	: 652	2,264
Share of Profit/(Loss) of Jointly Controlled Entities	: 0	(1)
Profit/(Loss) after Tax & MI	: (56,061)	15,336
% Change over Last Period	: N/A %	
EPS/(LPS)-Basic (in dollars)	: (0.0213)	0.0061
-Diluted (in dollars)	: N/A	0.0055
Extraordinary (ETD) Gain/(Loss)	: 0	0
Profit/(Loss) after ETD Items	: (56,061)	15,336
Final Dividend per Share	: NIL	NIL
(Specify if with other options)	: N/A	N/A
B/C Dates for Final Dividend	: N/A	
Payable Date	: N/A	
B/C Dates for Annual General Meeting	: 27/09/2006	to 03/10/2006 bdi.
Other Distribution for Current Period	: N/A	
B/C Dates for Other Distribution	: N/A	

Remarks:

1. BASIS OF PREPARATION

After reviewing the Group's and Company's budget for 2006/2007 and taking into consideration the cash inflow from issuing a convertible note in June 2006 and other longer term plans, the directors consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter

collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively.

The effects of the changes in the accounting policies on the results for the current and prior year are as follows:

	2006	2005
	HK\$'000	HK\$'000
Decrease in amortisation of goodwill	2,198	-
Recognition of share-based payment as expenses	(9,307)	-
Recognition of discount on acquisition of subsidiaries	2,812	-
Change in fair value of convertible notes	(117,800)	-
Decrease in profit for the year	(122,097)	-
	=====	

An analysis of the decrease in profit for the period by line items presented according to their function is as follows:

	2006	2005
	HK\$'000	HK\$'000
Increase in other income	2,812	-
Increase in administrative expenses	(7,109)	-
Change in fair value of convertible notes	(117,800)	-
	(122,097)	-
	=====	

3. TURNOVER AND SEGMENT INFORMATION

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

An analysis of the Group's revenue and contribution by business segment during the year is as follows:

Supply of natural gas		Gas pipeline connection		Glass product		Property holding and investment	
2006	2005	2006	2005	2006	2005	2006	2005
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
85,539	28,632	129,271	41,738	24,070	6,680	1,727	2,293
Segment results							

13,017	3,312	100,005	34,277	4,069	1,320	(3,889)	(6,686)
<hr/>							
Unallocated other operating income							
Change in fair value of convertible notes							
Convertible notes issue expenses							
Unallocated corporate expenses							
Finance costs							
Share of results of associates							
652	2,264	-	-	-	-	-	-
Share of result of a jointly-controlled entity							
-	-	-	-	-	-	-	-
(Loss) profit before taxation							
Taxation							
(Loss) profit for the year							

Discontinued operations

Building services (single-trade)		Packaged/design and build contracts		Environmental engineering services		Consolidated	
2006	2005	2006	2005	2006	2005	2006	2005
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (restated)
Turnover							
-	309	-	419	-	1,009	240,607	81,080
Segment results							
-	(405)	-	(514)	-	(1,346)	113,202	29,958
Unallocated other operating income						11,500	980
Change in fair value of convertible notes						(117,800)	-
Convertible notes issue expenses						(10,140)	-
Unallocated corporate expenses						(30,218)	(5,125)
Finance costs						(2,907)	(641)
Share of results of associates						-	-
-	-	-	-	-	-	652	2,264
Share of result of a jointly-controlled entity						-	-
-	-	-	-	-	(1)	-	(1)
(Loss) profit before taxation						(35,711)	27,435
Taxation						(19,400)	(11,603)
(Loss) profit for the year						(55,111)	15,832
						=====	=====

4. CONVERTIBLE NOTES

The Company issued US\$20 million, 2% coupon convertible notes at a par value of US\$1 million each on 28 October 2005 with a maturity date on 27 October 2008 (collectively referred to as the "Notes"). The Notes are unsecured and denominated in United States dollars. The Notes entitle the

holders to convert them into ordinary shares of the Company in the period commencing from the date falling 2 calendar months after the issue date and ending on the date 3 weeks prior to the maturity date at the lessor of (i) fixed conversion price of HK\$0.3433 or (ii) floating conversion price, which is equal to the average of any four consecutive trading days as selected by the holders during the 30 consecutive trading days immediately prior to date of conversion. The Company is entitled to redeem the Notes by paying a premium of 6% per annum if the closing price of the Company is equal or less than 65% of the fixed conversion price of HK\$0.3433 (i.e. HK\$0.223 or below). In addition, if the amount of the Notes being converted is less than USD5 million after six months from the Grant Date or less than USD10 million after 12 months from the Grant Date, the Company is entitled to redeem the balancing amount of the convertibles which is not converted.

If the share price of any 10 consecutive trading days is equal or less than the 40% of the fixed conversion price, the holders can require the Company to redeem the Notes. The redemption schedule is 50% of the Notes to be redeemed within six months after notice, another 25% within nine months and the balance amount within twelve months. The Company's circular dated 12 October 2005 contained the details of the terms of the Notes.

As determined by an independent qualified valuer, Vigers Appraisal & Consulting Limited, no value has been assigned for these redemption options of the issuer and holder as they are considered to be insignificant in value.

The Company incurred one-off expenses of HK\$10,140,000 for the issuance of the Notes. Such expenses have been recognised in the income statement for the year.

The functional currency of the Group is Renminbi and the conversion option of these Notes is denominated in U.S. dollars. Since the conversion price for the Notes is subject to change, the conversion will not result in settlement by the exchange of a fixed number of equity instruments. Therefore, upon application of HKAS 32 and HKAS 39, it was determined that the Notes do not contain any equity component and the entire Notes were designated as "financial liabilities at fair value through profit or loss" which requires the Notes to be carried at fair value at the balance sheet date and the changes in fair values are recognised in the income statement. During the year, a charge on change in its fair value of HK\$ 117,800,000 is recognised in the income statement.

The fair value of the Notes at 31 March 2006 was calculated using the market value basis. The inputs into the model were as follows:

Stock price	HK\$0.57
Exercise price	0.3433
Expected volatility	40%
Stock borrowing cost	4.31%
Expected dividend yield	0%
Market yield	6.88%

5. (LOSS) EARNINGS PER SHARE

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

	2006	2005
	HK\$'000	HK\$'000
Earnings		
(Loss) earnings for the purposes of basic earnings per share	(56,061)	15,336
	=====	=====

The diluted loss per share for the year ended 31 March 2006 was not presented as the exercise of the share options and convertible notes outstanding would result in a decrease in loss per share.

	Number of shares	
	2006	2005
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,629,455,628 =====	2,524,716,736
Effect of dilutive potential ordinary shares: - share options		264,602,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share		2,789,318,736 =====

Impact of changes in accounting policies and the restatement of figures for 2005:

Changes in the Group's accounting policies and the restatement of figures 2005 during the year are described in detail in note 2. The following table summarises the impact on basic earnings per share:

	2006
	Impact on basic (loss) per share
	HK cents
Figures before adjustments	2.51
Adjustments arising from changes in accounting policies	(4.64)
As reported	(2.13) =====