



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 2007

FINANCIAL HIGHLIGHTS

In the reporting period, the Group recorded turnover from continuing operations of approximately HK\$522,893,000, representing an increase of 141.5% from the last year;

Gross profit from continuing operations of approximately HK\$172,496,000, representing an increase of 41.4% from the last year;

Profit attributable to the shareholders approximately HK\$22,123,000, while it was loss attributable to the shareholders approximately HK\$56,061,000 in last year;

Basic earning per share of HK\$0.69 cents; while it was basis loss per share of HK\$2.13 cents in last year;

Operating net cash inflow of approximately HK\$75,814,000, representing an increase of 375.1% from the last year;

Net cash used in investment activities of approximately HK\$299,264,000, representing an increase of 598.3% from the last year;

Net cash generated from financing activities of approximately HK\$261,527,000, representing an increase of 75.9% from the last year;

Net cash and cash equivalents at the end of the year increased to approximately HK\$184,031,000, representing an increase of 38.4% from the last year.

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 (collectively the “Group”) for the year ended 31 March 2007, together with the comparative figures for the year ended 31 March 2006, as follows:—

* for identification purpose only

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000 (restated)
Continuing operations			
Turnover	2	522,893	216,537
Cost of sales		(350,397)	(94,564)
Gross profit		172,496	121,973
Other operating income		16,078	14,567
Administrative expenses		(115,562)	(43,364)
Discount on acquisition of subsidiaries		—	2,806
Discount on acquisition of additional interests in subsidiaries		9,240	—
Loss on disposal of subsidiaries		(10,143)	(5,519)
Change in fair value of convertible notes	3	(19,797)	(117,800)
Convertible notes issue expenses	3	(13,122)	(10,140)
Share of results of associates		25,299	652
Finance costs	4	(16,740)	(2,805)
Profit/(loss) before taxation		47,749	(39,630)
Taxation	5	(15,208)	(17,950)
Profit/(loss) for the year from continuing operations		32,541	(57,580)
Discontinued operation			
Profit for the year from discontinued operation		923	2,469
Profit/(loss) for the year	6	33,464	(55,111)
Attributable to:			
Equity holders of the Company		22,123	(56,061)
Minority interests		11,341	950
		33,464	(55,111)
Dividend	7	—	—
Earning/(loss) per share			
8			
From continuing and discontinued operations			
Basic (cents per share)		0.69	(2.13)
Diluted (cents per share)		0.69	n/a
From continuing operations			
Basic (cents per share)		0.67	(2.20)
Diluted (cents per share)		0.67	n/a
From discontinued operation			
Basic (cents per share)		0.02	0.07
Diluted (cents per share)		0.02	n/a

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	<i>Notes</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		615,764	227,824
Investment properties		7,237	6,984
Prepaid lease payments		27,470	8,737
Goodwill		225,050	44,725
Intangible assets		122,570	—
Interests in associates		84,138	3,564
Available-for-sale investments		11,601	194
		<hr/> 1,093,830	<hr/> 292,028
Current assets			
Inventories		23,562	4,404
Trade and other receivables	9	118,696	66,484
Amounts due from associates		16,150	—
Prepaid lease payments		594	366
Bank balances and cash		184,031	132,986
		<hr/> 343,033	<hr/> 204,240
Current liabilities			
Trade and other payables	10	149,550	25,325
Taxation payable		39,542	28,835
Bank borrowings			
— due within one year		106,238	28,264
Convertible notes	3	62,658	133,788
		<hr/> 357,988	<hr/> 216,212
Net current liabilities		<hr/> (14,955)	<hr/> (11,972)
Total assets less current liabilities		<hr/> 1,078,875	<hr/> 280,056
Non-current liabilities			
Bank borrowings			
— due after one year		126,162	2,807
Convertible notes	3	348,316	—
Deferred tax liabilities		27,777	61
Other payables			
— due after one year		7,066	—
		<hr/> 509,321	<hr/> 2,868
		<hr/> 569,554	<hr/> 277,188

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Capital and reserves		
Share capital	253,406	201,989
Reserves	250,115	70,486
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	503,521	272,475
Minority interests	66,033	4,713
	<hr/>	<hr/>
	569,554	277,188
	<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

After reviewing the Group's and Company's budget for 2007/2008 and taking into consideration the cash inflow from the issue of shares upon exercise of share options in April 2007 and other long 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 consolidated financial statements, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Institute of Certified Public Accountants (the "HKICPA") and interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for the investment properties and certain financial instruments, which are stated at their fair value.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency is Renminbi. The reason for selecting Hong Kong dollars as its presentation currency is because the Company is a public company with the shares listed on the Stock Exchange where most of its investors are located.

IMPACT OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA that are relevant to its operations and effective for annual reporting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of these new and revised standards and interpretations has no material effect on how the results for the current or prior accounting year have been prepared and presented. Accordingly, no prior year adjustment has been required.

IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Group has commenced considering the potential impact of these 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.

Hong Kong Accounting Standard (“HKAS”) 1 (Amendment)	Capital disclosures ¹
HKAS 23 (Revised)	Borrowing costs ⁶
HKFRS 7	Financial instruments: disclosures ¹
HKFRS 8	Operating Segments ⁶
HK(IFRIC) — Interpretation (“Int”) 8	Scope of HKFRS 2 ²
HK(IFRIC) — Int 9	Reassessment of embedded derivatives ³
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment ⁴
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions ⁵
HK(IFRIC) — Int 12	Service Concession Arrangement ⁷

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.

⁵ Effective for annual periods beginning on or after 1 March 2007.

⁶ Effective for annual periods beginning on or after 1 January 2009.

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

2. REVENUE AND SEGMENTAL INFORMATION

The following tables present revenue profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

	Continuing operations						Discontinued operation			
	Supply of gas and gas pipeline connection		Property holding and investment		Total		Glass Products		Consolidation	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>522,804</u>	<u>214,810</u>	<u>89</u>	<u>1,727</u>	<u>522,893</u>	<u>216,537</u>	<u>9,613</u>	<u>24,070</u>	<u>532,506</u>	<u>240,607</u>
Segment results	<u>97,040</u>	<u>113,022</u>	<u>89</u>	<u>(3,889)</u>	<u>97,129</u>	<u>109,133</u>	<u>1,663</u>	<u>4,069</u>	<u>98,792</u>	<u>113,202</u>
Unallocated other operating income									<u>10,634</u>	<u>8,694</u>
Change in fair value of convertible notes									<u>(19,797)</u>	<u>(117,800)</u>
Convertible notes issue expenses									<u>(13,122)</u>	<u>(10,140)</u>
Loss on disposal of subsidiaries			<u>(243)</u>	<u>—</u>	<u>(243)</u>	<u>—</u>	<u>(9,900)</u>	<u>—</u>	<u>(10,143)</u>	<u>(5,519)</u>
Discount on acquisition of additional interests in subsidiaries									<u>9,240</u>	<u>—</u>
Discount on acquisition of subsidiaries									<u>—</u>	<u>2,806</u>
Unallocated corporate expenses									<u>(34,751)</u>	<u>(24,699)</u>
Finance cost									<u>(16,771)</u>	<u>(2,907)</u>
Share of results of associates									<u>25,299</u>	<u>652</u>
Profit/(loss) before taxation									<u>49,381</u>	<u>(35,711)</u>
Taxation									<u>(15,917)</u>	<u>(19,400)</u>
Profit/(loss) for the year									<u>33,464</u>	<u>(55,111)</u>

	Continuing operations						Discontinued operation			
	Supply of gas and gas pipeline connection		Property holding and investment		Total		Glass Products		Consolidation	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,013,487	310,363	7,237	6,984	1,020,724	317,347	—	25,807	1,020,724	343,154
Interests in associates									84,138	3,564
Goodwill									225,050	44,725
Unallocated assets									106,951	104,825
Total assets									1,436,863	496,268
Segment liabilities	361,215	19,736	—	847	361,215	20,583	—	4,742	361,215	25,325
Convertible notes									410,974	133,788
Unallocated liabilities									95,120	59,967
									867,309	219,080
Depreciation	15,728	5,721	—	—	15,728	5,721	447	1,152	16,175	6,873
Unallocated amount									1,082	412
									17,257	7,285
Loss on disposal of property, plant and equipment	13,712	27	—	—	13,712	27	—	—	13,712	27
Unallocated amount									46	—
									13,758	27
Amortisation of intangible assets	3,605	—	—	—	3,605	—	—	—	3,605	—
Impairment loss of goodwill									91	—
Revaluation gain on investment properties	—	—	(455)	—	(455)	—	—	—	(455)	—
Capital expenditure										
Property, plant and equipment, through acquisition of subsidiaries	340,775	104,217	4,221	—	344,996	104,217	—	—	344,996	104,217
Unallocated amount									3,668	—
									348,664	104,217
Property, plant and equipment by the group itself	110,781	9,029	2,561	—	113,342	9,029	3,559	2,247	116,901	11,276
Unallocated amount									19,615	3,870
									136,516	15,146
									485,180	119,363

3. CONVERTIBLE NOTES

The details of the Group's convertible notes outstanding as at 31 March 2007 are set out below:

	Convertible note — Indopark (the “Indopark”)	Convertible note — Equator (the “Equator”)
Date of issue	15 June 2006	28 October 2005
Aggregate principal amount	US\$40,000,000 (approximately HK\$310,000,000)	US\$20,000,000 (approximately HK\$156,000,000)
Coupon rate	2 percent	2 percent
Conversion price (HK\$)	HK\$0.60	Note (i)
Conversion period	six months after the issue date and up to the tenth trading day before the maturity date	2 calendar months after the issue date and ending on the date 3 weeks prior to the maturity date
Collaterals	Nil	Nil
Maturity date	14 June 2009	27 October 2008

Note (i): at the lower 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 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 consolidated income statement. During the year, a loss on change in its fair value of approximately HK\$19,797,000 is recognised in the consolidated income statement. (2006: approximately HK\$117,800,000).

The Group incurred one-off expenses of approximately HK\$13,122,000 (2006: approximately HK\$10,140,000) for the issuance of the note. Such expenses have been recognised in the consolidated income statement for the year.

4. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on convertible notes	6,277	1,063
Interest on bank loans and overdrafts		
— wholly repayable within five years	18,275	1,799
Interest on other borrowing	—	45
	<u>24,552</u>	<u>2,907</u>
Less: amount capitalised in construction in progress	<u>(7,781)</u>	<u>—</u>
	<u>16,771</u>	<u>2,907</u>
Attributable to:		
Continuing operations	16,740	2,805
Discontinued operation	31	102
	<u>16,771</u>	<u>2,907</u>

5. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	20,180	19,400
Overprovision for prior years	(4,263)	—
	<u>15,917</u>	<u>19,400</u>
Attributable to:		
Continuing operations	15,208	17,950
Discontinued operation	709	1,450
	<u>15,917</u>	<u>19,400</u>

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

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

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

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

6. PROFIT/(LOSS) FOR THE YEAR

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

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	350,397	94,564	8,531	18,717	358,928	113,281
Auditors' remuneration						
— current year provision	3,500	2,967	—	—	3,500	2,967
— underprovision in prior years	293	—	—	—	293	—
Depreciation of property, plant and equipment	16,810	6,148	447	1,137	17,257	7,285
Amortisation of prepaid lease payments	485	29	13	43	498	72
Amortisation of intangible assets	3,605	—	—	—	3,605	—
Minimum lease payments under operating leases for rented premises	2,466	918	—	—	2,466	918
Loss on disposal of property, plant and equipment	13,758	27	—	—	13,758	27
Loss on disposal of prepaid lease payments	303	—	—	—	303	—
Loss on disposal of available-for-sale investments	79	—	—	—	79	—
Impairment loss of goodwill (included in administrative expenses)	91	—	—	—	91	—
Allowance for bad and doubtful debts in respect of trade and other receivables	2,565	18	—	—	2,565	18
Exchange gain	(4,777)	(84)	—	—	(4,777)	(84)
Interest income	(8,228)	(657)	(4)	—	(8,232)	(657)
Revaluation gain on investment properties	(455)	—	—	—	(455)	—
Rental income under operating leases, less outgoing of nil (2006: HK\$277,000)	(89)	(1,450)	—	—	(89)	(1,450)
Share of tax of associates (included in share of results of associates)	13,704	110	—	—	13,704	110

7. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2007 (2006: nil).

8. EARNING/(LOSS) PER SHARE

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit/(loss) for the year attributable to equity holders of the Company	22,123	(56,061)
Profit for the year from discontinued operation attributable to equity holders of the Company used in the calculation of basic earning/(loss) per share from discontinued operation	<u>712</u>	<u>1,728</u>
Profit/(loss) used in the calculation of basic earning/(loss) per share from continuing operations	<u>21,411</u>	<u>(57,789)</u>
	2007	2006
Weighted average number of ordinary shares for the purpose of basic earning/(loss) per share	<u>3,190,879,300</u>	<u>2,629,455,628</u>

The computation of diluted earning per share for the year ended 31 March 2007 does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earning per share from continuing operations.

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

9. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 — 3 months	14,002	13,372
4 — 6 months	847	52
6 — 12 months	1,325	465
Over 1 year	2,587	—
	<hr/>	<hr/>
Trade receivables	18,761	13,889
Advances to third parties (<i>Note</i>)	5,275	—
Prepayments	25,618	19,498
Bill receivable	1,009	—
Deposit paid to/payment in advance to suppliers	33,894	9,311
Deposit paid for capital expenditures	15,140	—
Deposit paid for investments	—	18,391
Others	18,999	5,395
	<hr/>	<hr/>
	118,696	66,484
	<hr/> <hr/>	<hr/> <hr/>
The balance represents:		
Trade and other receivables, gross	121,279	66,502
Less: accumulated impairment	(2,583)	(18)
	<hr/>	<hr/>
	118,696	66,484
	<hr/> <hr/>	<hr/> <hr/>

Note: The advances to third parties are unsecured, borne interest at 5.58% and repayable on demand.

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

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 — 3 months	16,285	2,990
4 — 6 months	4,031	55
Over 6 months	21,889	1,893
Trade payables	42,205	4,938
Deposits received from customers (<i>Note i</i>)	15,464	5,583
Convertible notes interest payable	2,169	635
Customer gas deposits	13,952	—
Other deposits received	6,056	—
Gas fee income received in advance	12,506	—
Received in advance for the exercise of share options (<i>Note ii</i>)	9,607	—
Other payables for the purchase of property, plant and equipment	8,803	—
Accrued charges and other payables	38,788	14,169
	<u>149,550</u>	<u>25,325</u>

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

Note ii: Received in advance for the exercise of share options represent the amount received from the share option holders. The Company allotted and issued the shares to the share options holders as a result of the exercise of share options subsequent to the balance sheet date.

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

11. COMMITMENTS & CONTINGENT LIABILITIES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Contracted for but not provided for		
Capital expenditure in respect of:		
investments in associates	9,690	—
investments in subsidiaries	16,150	30,975
Commitments in respect of the acquisition of property, plant and equipment	<u>297,769</u>	<u>—</u>
	<u>323,609</u>	<u>30,975</u>

Apart from the above, the Group had no other material commitments or contingent liabilities at the balance sheet date.

12. PLEDGED OF ASSETS

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Property, plant and equipment	15,529	—
Investment properties	1,756	—
Intangible assets		
— exclusive rights of operations	49,019	—
Prepaid lease payments in respect of land use rights	<u>11,184</u>	<u>—</u>
	<u>77,488</u>	<u>—</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 at 31 March 2007.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 27 September 2007 (the “AGM”). For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about 31 July 2007.

CLOSURE OF REGISTER

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 21 September 2007 to Thursday, 27 September 2007, both days inclusive, during which period no transfer of Shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Thursday, 20 September 2007.

BUSINESS REVIEW

Distribution, supply and installation of gas business

Distribution and supply of gas

The supply of gas to household and commercial and industrial customers is still the main business of the Group. During the reporting period, the Group achieved gas sales of 180.54 million cubic meters, representing an increase of 62.3% as compared with the corresponding period last year. The Group sold 33.89 million cubic meters of gas to household customers, an increase of 98.2% compared to the same period last year and sold 146.65 million cubic meters of gas to commercial and industrial customers, an increase of 55.7% compared to the corresponding period last year. The Group realised a gas sales income of approximately HK\$344,582,000, representing an increase of 302.8% as compared with the same period last year. Income from sales of gas accounted for 65.9% of the Group’s turnover from continuing operations during the reporting period.

Gas pipeline connection

The Group was also engaged in the construction of main pipelines and branch pipelines networks and charged customers with connection fees for the construction of gas pipeline networks that connect households with the gas networks. Such fee is another major income source of the Group. During the reporting period, the Group has completed connection work for 73,874 household customers and 5,389 commercial and industrial customers, representing an increase of 46.2% and a decrease of 31.4% from the same period last year, respectively. Income generated from connection fees amounted to approximately HK\$178,222,000, representing an increase of 37.9% as compared with the corresponding period last year. Connection fees income accounted for approximately 34.1% of the Group’s turnover from continuing operations during the reporting period.

As at 31 March 2007, the Group has accumulated a total of 182,607 connected customers, representing an increase of 127.0% from the same period last year, in which 168,684 were household customers, representing an increase of 135.1% compared to the corresponding period last year and 13,923 were commercial and industrial customers, representing an increase of 60.1% compared to the same period last year.

Transportation, distribution and retail of liquefied petroleum gas (“LPG”).

During the reporting period, the Group established Huaihua Zhongmin Gas Company Limited (“Huaihua Zhongmin”) and Huaihua Zhongmin Petroleum Gas Supply Company Limited (“Huaihua Supply”) in Huaihua City of Hunan Province. The Group also set up Yunnan Zhongmin Gas Company Limited (“Yunnan Zhongmin”) in Kunming City of Yunnan Province and Guizhou Zhongmin Gas Company Limited (“Guizhou Zhongmin”) in Guiyang City of Guizhou Province. These companies engage in the transportation and distribution of LPG and the distribution and retail of LPG.

Exploitation of Natural Gas

During the reporting period, the Group expanded its business to natural gas exploitation through the acquisition of 50% equity interest in Yan Bian Hua Xin Oil Exploitation Company Limited (“Yan Bian Hua Xin”). Please refer to the sub-section headed “Yan Bian Hua Xin Project” under the section headed “Project Expansion” below.

Supply of Video Lottery System and Equipment

The Group intended to engage in supply of video lottery system and equipment in the Mainland China through the associate — Zhongmin Zai Xian (Beijing) Technology Development Ltd. (“Zhongmin Zai Xian”) (中民在線(北京)科技發展有限公司), and Zhongmin Zai Xian was applying for the related licence. The lottery business has not duly commenced operation during the reporting period.

Divestment during the reporting period

During the year, the Group discontinued its glass products business upon the disposal of its controlling interest in Mian Zhu City Hongsen Glass Products Company Limited (the “Glass Products”). Additional capital investments were required by Glass Products to reconstruct its plant, property and equipment after moving to a new location and Glass Products increased its registered capital from RMB1,000,000 (HK\$1,009,000) to RMB17,000,000 (HK\$17,159,000) for additional general working capital purpose. However, the Group has not made further investment in Glass Products with a view to focus its resources on developing core business. New investors were introduced to make up the increased capital. The Group’s interest in the Glass Products was decreased from 100% to 19% upon the completion of such increase in registered capital and the Glass Products ceased to be a subsidiary of the Company.

Besides, the Group disposed all of its equity interest in a wholly owned subsidiary — Penmark Limited together its property, with a saleable area of 534 square meters, in Shanghai Zhongda Square for HK\$6,500,000 in cash. The Group use the proceed from sales on the development of new gas projects.

Project Expansion

The projects that the Group secured during the reporting period were as follows:

The Yan Bian Hua Xin Project

In June 2006, the Company acquired a 50% equity interest in Yan Bian Hua Xin Oil Exploitation Company Limited (“Yan Bian Hua Xin”) at a consideration of HK\$30,000,000. Yan Bian Hua Xin is principally engaged in the exploration and extraction of oil and natural gas in Yanji Basin (延吉盆地) located at Yan Bian Korean Nation Autonomous Area in Jilin Province, the PRC (中國吉林省延邊朝鮮族自治州) in co-operation with Daqing Oilfield Company. Natural gas produced was sold to local gas suppliers through Yan Bian Zhongmin Gas Company Limited, a wholly-owned subsidiary of the Group (details of which are set out in the sub-section “The Yan Bian Project” below). The project was still at the stage of exploration in the financial year and hence extraction and production have not been commenced.

The Yanliang Project

In June 2006, the Group acquired a 70% interests in a natural gas business at Yanliang District, Xi’an at a consideration of RMB42,500,000 (approximately HK\$42,986,000) and set up Xi’an Zhongmin Gas Company Limited (“Xi’an Zhongmin”), which mainly engages in sale and distribution of natural gas, design of natural gas pipeline and related maintenance in Yanliang District, Xi’an City, Shaqnx Province. Yanliang District in Xi’an City, with approximately 240,000 residents in total, is China’s aviation industrial region integrating aircraft design and research, production and manufacturing, flight testing and authentication as well as related scientific research. China’s largest aircraft manufacturer, Xi’an Aircraft Industry (Group) Co., Ltd. (西安飛機工業(集團)有限責任公司) and many other enterprises and scientific research institutions are located there. In August 2004, the National Development and Reform Commission of the PRC approved the establishment of the national high and new technology aviation industry base with a planned area of 40 square kilometers in Yanliang District, Xi’an City. The base is expected to be built into Asia’s largest aviation industry base in three to five years.

The Huaihua Project

In July 2006, the Group and an independent third party formed Huaihua Zhongmin Gas Co., Ltd. (“Huaihua Zhongmin”) in Huaihua City in Hunan Province of the PRC with a registered capital of RMB18,180,000 (approximately HK\$18,351,000), of which 55% of equity interest was held by the Group. Huaihua Zhongmin principally engages in the business of the sales of LPG in Huaihua City of Hunan Province. Huaihua City, which is situated at the boundary of Hunan, Guangxi and Guizhou Provinces, is an important transport pivot and logistic hub in central China. It has a population of 5.1 million and LPG is one of the major energy consumed. Huaihua Zhongmin has obtained a considerable market share in Huaihua City’s LPG market and such share is expected to grow significantly in view of the business development of the company.

The An Ran Project

In September 2006, the Group and an independent third party entered into two equity transfer agreements and an operation rights transfer agreement whereby the Group acquired 100% equity interest in Fujian Province An Ran Gas Investment Co., Ltd and its subsidiaries (collectively “Fujian An Ran”) at a consideration of RMB104,320,000 (approximately HK\$110,793,000) and acquired its operation rights by issuing 200,000,000 consideration shares at an issue price of HK\$0.40 per share.

Fujian An Ran mainly engages in the sales and distribution of gas, designing, construction and installation of gas pipelines. Fujian An Ran has acquired a significant market presence in the natural gas market in Fujian Province. The acquisition of Fujian An Ran has significantly expanded the Group's gas market and extended the Group's growing potential for future development. The energy resources of Fujian Province are insufficient relative to its well developed economy. The China National Offshore Oil Corporation and Fujian Provincial Government jointly established LNG Terminal Project. Starting from early 2009, LNG terminals established in Fujian Province will import 2.6 million tones of LNG from Indonesia each year under a contract with a term of 25 years. The import will increase to 5 million tones upon the completion of the second phase of the project. Driven by the rapid economic growth of Fujian Province and with the offshore LNG from Indonesia becoming an onshore energy, LNG consumption among residential users and commercial and industrial users will increase rapidly. The robust increase in LNG demand will generate abundant cash flow from the Group.

The Yan Bian Project

In November 2006, the Group set up Yan Bian Zhongmin Gas Company Limited ("Yan Bian Zhongmin"), a wholly-owned company with a registered capital of RMB 10,000,000 (approximately HK\$10,094,000), in the Yan Bian Korean National Autonomous Area of Jilin Province and Yan Bian Zhongmin principally engages in the sales of natural gas. Yan Bian Zhongmin will sell the natural gas which sourced by Yan Bian Hua Xin in Yanji Basin to other local gas suppliers. During the financial year, Yan Bian Zhongmin was still in the pre-operation stage and no operation has been commenced. It is expected that considerable revenue will be generated with the end of the pre-operation stage and Yan Bian Hua Xin will start to extract natural gas.

The Huaihua Supply Project

In December 2006, the Group established Huaihua Zhongmin Petroleum Gas Supply Company Limited ("Supply Company"), a wholly-owned company with a registered capital of RMB26,000,000 (approximately HK\$26,244,000), in Hunan Province and the business scope of which covered the purchase, transportation and sales of LPG and related petrochemical products under the permitted scope of the relevant policies. The purpose of establishing Supply Company is to establish a transportation and distribution system for LPG in order to secure the resources supply of Huaihua Zhongmin, the Yunnan project and the Guizhou project (as set out below). The company owned 38 LPG rail carriages and leased certain other vehicles and such arrangement secured the gas supplies for various LPG project companies of the Group.

The Yunnan Project

In December 2006, the Group established Yunnan Zhongmin Gas Company Limited ("Yunnan Zhongmin") in Kunming City of Yunnan Province. Yunnan Zhong Min had a registered capital of RMB 7,560,000 (approximately HK\$7,631,000). Yunnan Zhongmin is principally engaged in the storage and transportation, wholesale and retail of LPG in Yunnan Province. Yunnan Zhongmin commenced its operation in January 2007 and its business covered the LPG retail business in Kunming City and the wholesale of gas in other cities in Yunnan Province. Yunnan Zhongmin's business enjoyed excellent market prospects.

The Guizhou Project

In January 2007, the Group set up Guizhou Zhongmin Gas Company Limited (“Guizhou Zhongmin”), a wholly-owned company with a registered capital of RMB 18,000,000 (approximately HK\$18,169,000) in Guiyang City of Guizhou Province. Guizhou Zhongmin is principally engaged in the storage and transportation, wholesale and retail of LPG in Guizhou Province. Guizhou Zhong Min owned large-scale LPG cylinders with a volume of 5,000 cubic meters and its business scope included the LPG retail business in Guiyang City and the wholesale of gas in other cities in Guizhou Province. Guizhou Zhong Min was still in the pre-operation stage during this financial year and no operation has been commenced.

FINANCIAL REVIEW

Gross Profit Margin

In 2007, the overall gross profit margin from continuing operations of the Group was 33.0%, representing a decrease of 23.3% as compared with the corresponding period last year. The decrease of gross profit margin was mainly attributable to the change in income structure of the Group. Since the Group was committed to enhance the gas utilisation rate, the income from sales of gas has increased substantially from 39.5% of last year to 65.9% and the connection fees has decreased substantially from 59.7% of last year to 34.0%. The income from sales of gas and the connection fees have increased as compared with last year. However, the profit margin of connection fees was higher than that of sales of gas, and the resultant change in income structure of the Group has led to a decline in gross profit margin before the income structure has become relatively stable. It also reflected the further optimisation of the Group’s income structure from shifting the reliance on one-off connection fees to the sales of gas which would generate long-term and stable income.

Liquidity and Capital Resources

As at 31 March 2007, the Group had total assets of HK\$1,436,863,000 and current liabilities, long term liabilities, shareholders’ equity and minority interests of HK\$357,988,000, HK\$509,321,000, HK\$503,521,000 and HK\$66,033,000 respectively.

As at 31 March 2007, the Group’s cash in hand and total borrowings were approximately HK\$184,031,000 (2006: approximately HK\$132,986,000) and approximately HK\$643,374,000 (2006: approximately HK\$164,859,000) respectively. The debt-to-capitalisation ratio, representing the ratio of total borrowings to equity (excluding minority interests) was 56.1% (2006: 37.7%).

On 7 September 2005, the Company entered into an agreement whereby the Company issued US\$20,000,000 (equivalent to approximately HK\$156,000,000) 2 percent convertible notes due in 2008 to Equator View Capital, an independent third party and is indirectly owned as to 49% by Oasis Management Holdings LLC, an international investment fund. For the year ended 31 March 2007, convertible notes with an amount of HK\$116,700,000 have been converted into 357,968,998 ordinary shares of the Company. Subsequent to the balance sheet date, convertible notes with an amount of HK\$19,450,000 have been further converted into 56,655,985 ordinary shares of the Company while convertible notes with an amount of HK\$19,450,000 remained outstanding. If the outstanding convertible notes were fully converted into shares, approximately 56,000,000 ordinary shares of the Company will be issued, representing 1.55% of the issued share capital of the Company as at 31 March 2007.

On 30 May 2006, the Company has entered into a subscription agreement (the “Subscription Agreement”) with Indopark Holdings Limited, an indirectly wholly owned subsidiary of Merrill Lynch with respect to the issue of US\$40,000,000 (equivalent to approximately HK\$310,000,000) 2% convertible bonds due in 2009. Pursuant to the terms of the Subscription Agreement, the convertible notes can be convertible into Shares at a conversion price of HK\$0.60 per share (subject to adjustment). Unless previously redeemed, converted or purchased and cancelled, the convertible notes shall be redeemed by the Company at 106% of their principal amount at the third anniversary of the issue date. The convertible notes carried interest from the issue date at the rate of 2% per annum of the principal amount of the convertible notes. The convertible notes were issued on 15 June 2006, providing the Group more funds for new project development and further broadening its strategic investor base. The issue also manifested the full recognition from international prestigious investment banks of the Group’s results after the business transformation and their confidence in the Group’s future development. For the year ended 31 March 2007, Indopark Holdings Limited has not converted any convertible notes into the ordinary shares of the Company. However, subsequent to the balance sheet date, convertible notes with an amount of HK\$77,500,000 have been converted into 129,166,666 ordinary shares of the Company and convertible notes with an amount of HK\$232,500,000 remained outstanding. If the outstanding convertible notes were fully converted into shares, approximately 387,000,000 ordinary shares of the Company will be issued, representing 10.69% of the issued share capital of the Company as at 31 March 2007.

Borrowings Structure

As at 31 March 2007, the total borrowings of the Group was HK\$643,374,000 (2006: approximately HK\$164,859,000), which included interest-bearing convertible notes with a fair value of HK\$410,974,000 and domestic bank loans denominated in Renminbi of the project companies. Other than the convertible notes with fixed interest, other loans, which were used as normal working capital and operation expenses, carried interest at a fixed rate or an interest rate issued by the PBOC. Apart from the loans equivalent to approximately HK\$122,377,000 were pledged with certain assets with carrying value of approximately HK\$77,488,000, other loans were unsecured. Short-term loans were approximately HK\$106,238,000 while others were long-term loans due after 1 year. For the details of capital commitments and pledge of assets, please refer to notes 38 and 39 to the financial statements.

Capital Structure

The Group’s long-term capital mainly comprises shareholders’ equity which is confirmed by the sound gearing ratio as discussed in the section “Liquidity and capital resources” above.

Exposure of Foreign Exchange

With all of the Group’s operations located in the PRC and substantially all of its income and expenses were denominated in RMB, the Group has no significant exposure to the fluctuation of foreign exchange rate. The Group will closely monitor the market interest rates and make appropriate adjustments when necessary.

POST BALANCE SHEET DATE EVENTS

On 2 April 2007, an aggregate of 232,152,000 share options at the exercise price of HK\$0.53 were granted to the directors and employees of the Company pursuant to the Company's 2006 Share Option Scheme adopted on 3 October 2006. As determined by an independent qualified valuer, Asset Appraisal Limited, the Company will incur one-off expenses of approximately HK\$26,455,000 for the grant of such share options. Such expense will be recognised as share-based employee expense in the consolidated income statement in the next financial year.

On 4 April 2007 and 10 April 2007 respectively, the Company allotted and issued in an aggregate of 62,200,000 shares of HK\$0.07 each for cash at the exercise price of HK\$0.365 as a result of the exercise of share options.

On 4 April 2007, the Company allotted and issued in an aggregate of 5,000,000 shares of HK\$0.07 each for cash at the exercise price of HK\$0.40, as a result of the exercise of share options.

On 25 May 2007, 13 June 2007, 22 June 2007 and 25 June 2007 respectively, an aggregate of 56,655,985 shares of HK\$0.07 each were issued to the convertible note holder upon the partial conversion of the convertible note with total principal amount of HK\$19,450,000 at a conversion price of HK\$0.3433 each.

On 13 June 2007, 129,166,666 shares of HK\$0.07 each were issued to the convertible note holder upon the partial conversion of the convertible note with total principal amount of HK\$77,500,000 at a conversion price of HK\$0.60 each.

In order to reflect its current and further development of business scope and base of operations of the Company, a special resolution will be proposed at the coming annual general meeting to change the Company's name from "Chinese People Gas Holdings Company Limited" to "Chinese People Holdings Company Limited" and "中民控股有限公司" will be adopted as the Chinese name of the Company.

EMPLOYEES

As at 31 March 2007, the Group had 906 employees, of which 4 were based in Hong Kong and the remaining were based in Mainland China. The remuneration policy and package of the Group's employees are reviewed and approved by the directors after consulting the Remuneration Committee. Apart from pension funds, individual employees may be granted discretionary bonus and share options as rewards for their outstanding performance. The Group may provide training for our employees when necessary.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. As all Independent Non-executive Directors of the Company have entered into a service contract with the Company for a specific term of three years from the date of his appointment/last re-election (the only deviation from the Code Provisions), the Company has complied with all of the Code Provisions.

REVIEW OF THE ANNUAL RESULTS

The audit committee of the company has reviewed the annual results of the company for the year ended 31 March 2007.

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

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

PUBLICATION OF INFORMATION ON THE WEBSITES OF HKEX AND THE COMPANY

The results announcement, as required, has been published on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Company Information" and the Company at www.ilinkfin.net/chinese_people_gas under "Announcements" respectively. The annual report of the Company for the year ended March 31, 2007 will be dispatched to the shareholders around July 31, 2007 and will publish on the websites of the HKEX's and the Company's websites accordingly.

As at the date of this announcement, the Board comprises seven executive directors, namely, Mr. Xu Ruixin, Mr. Liu Jing, Dr. Mo Shikang, Mr. Zhu Peifeng, Mr. Zhang Hesheng, Mr. Jin Song and Mr. Wong Ching, and three independent non-executive directors, namely, Mr. Liu Junmin, Mr. Tan Qinglian and Mr. Sin Ka Man.

On behalf of the Board of
Chinese People Gas Holdings Company Limited
Dr. Mo Shikang
Managing and Executive Director

Beijing, 27 July 2007