



CHINA CITY NATURAL GAS HOLDINGS LIMITED

中華城市燃氣集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 603)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 JULY 2004

RESULTS

The Board of Directors (the "Board") of China City Natural Gas Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 July 2004, together with the comparative figures for the previous year ended 31 July 2003, as follows:

	<i>Notes</i>	2004 <i>HKS '000</i>	2003 <i>HKS '000</i>
TURNOVER			
– Continuing operations		23,133	19,323
– Discontinued operations		–	258,900
		<u>23,133</u>	<u>278,223</u>
Cost of sales		<u>(17,971)</u>	<u>(224,771)</u>
Gross profit		5,162	53,452
Other revenue and gains	2	4,233	19,785
Selling and distribution costs		(1,040)	(15,923)
Administrative expenses		(44,399)	(76,723)
Other expenses		(158,798)	(182,767)
Loss on disposal of discontinued operations		–	(105,067)
LOSS FROM OPERATING ACTIVITIES		<u>(194,842)</u>	<u>(307,243)</u>
Finance costs	4	(1,935)	(1,950)
Share of profit/(loss) of a jointly-controlled entity		(9,418)	390
Amortisation and impairment of goodwill		(9,734)	(24,265)
		<u>(19,152)</u>	<u>(23,875)</u>
LOSS BEFORE TAX			
– Continuing operations	5	(215,929)	(233,451)
– Discontinued operations		–	(99,617)
		<u>(215,929)</u>	<u>(333,068)</u>
Tax	6		
– Continuing operations		–	(77)
– Discontinued operations		–	(1,701)
		<u>–</u>	<u>(1,778)</u>
LOSS BEFORE MINORITY INTERESTS		<u>(215,929)</u>	<u>(334,846)</u>
Minority interests		–	69
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(215,929)</u>	<u>(334,777)</u>
LOSS PER SHARE	7		
Basic		<u>(2.3 cents)</u>	<u>(3.9 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

China City Natural Gas Holdings Limited

Notes:

1. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised) "Income taxes" is effective for the first time for the current year's financial statements.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

The adoption of the above revised SSAP had no significant impact on the Group's financial statements.

2. OTHER REVENUE AND GAINS

	2004 HK\$'000	2003 HK\$'000
Other revenue		
Interest income	312	4,580
Tooling and subcontracting income	-	13,024
Others	745	2,181
	<u>1,057</u>	<u>19,785</u>
Gains		
Gain on disposal of fixed assets	351	-
Gain on disposal of long term investments (after a transfer from the investment revaluation reserve of a deficit of HK\$677,000)	2,825	-
	<u>3,176</u>	<u>-</u>
Other revenue and gains	<u>4,233</u>	<u>19,785</u>

3. SEGMENT INFORMATION

The Group is principally engaged in investments in Internet, information technology and other activities, natural gas business and manufacture and trading of silicone rubber products.

The results of operations by principal activities for the year ended 31 July 2004 and the year ended 31 July 2003 are respectively summarised as follows:

Business Segments

31 July 2004

	Continuing operations			Discontinued operations		Consolidated HK\$'000
	Investment in Internet and information technology activities HK\$'000	Investment in natural gas business HK\$'000	Manufacture and trading of silicone rubber products HK\$'000	Manufacture and trading of batteries HK\$'000	Others HK\$'000	
Segment revenue:						
Turnover	-	-	23,133	-	-	23,133
Segment results	(163,526)	-	(1,605)	-	-	(165,131)
Interest income						312
Unallocated expenses						(30,023)
Loss from operating activities						(194,842)
Finance costs						(1,935)
Share of loss of a jointly-controlled entity	-	(9,418)	-	-	-	(9,418)
Amortisation and impairment of goodwill	-	(9,734)	-	-	-	(9,734)
Loss before tax						(215,929)
Tax						-
Loss before minority interests						(215,929)
Minority interests						-
Net loss from ordinary activities attributable to shareholders						<u>(215,929)</u>
Segment assets	157,170	-	12,767	-	-	169,937
Interest in a jointly-controlled entity	-	60,979	-	-	-	60,979
Total assets						<u>230,916</u>
Segment liabilities	(11,414)	-	(7,901)	-	-	(19,315)
Unallocated liabilities						(20,000)
Total liabilities						<u>(39,315)</u>
Other segment information:						
Depreciation	2,071	-	1,383	-	-	3,454
Amortisation	-	1,713	-	-	-	1,713
Impairment losses on long term investments	155,320	-	-	-	-	155,320
Impairment of leasehold land and buildings	628	-	-	-	-	628
Capital expenditure	<u>2,007</u>	<u>-</u>	<u>4,046</u>	<u>-</u>	<u>-</u>	<u>6,053</u>

China City Natural Gas Holdings Limited

31 July 2003

	Continuing operations			Discontinued operations		
	Investment in internet and information technology activities <i>HKS '000</i>	Investment in natural gas business <i>HKS '000</i>	Manufacture and trading of silicone rubber products <i>HKS '000</i>	Manufacture and trading of batteries <i>HKS '000</i>	Others <i>HKS '000</i>	Consolidated <i>HKS '000</i>
Segment revenue:						
Turnover	–	–	19,323	258,900	–	278,223
Segment results	(209,651)	–	1,052	5,822	348	(202,429)
Interest income						4,580
Unallocated expenses						(109,394)
Loss from operating activities						(307,243)
Finance costs						(1,950)
Share of profit of a jointly-controlled entity	–	390	–	–	–	390
Amortisation and impairment of goodwill	–	(24,265)	–	–	–	(24,265)
Loss before tax						(333,068)
Tax						(1,778)
Loss before minority interests						(334,846)
Minority interests						69
Net loss from ordinary activities attributable to shareholders						(334,777)
Segment assets	307,358	–	13,120	–	–	320,478
Interest in a jointly-controlled entity	–	80,131	–	–	–	80,131
Total assets						400,609
Segment liabilities	(22,945)	–	(3,645)	–	–	(26,590)
Unallocated liabilities						–
Total liabilities						(26,590)
Other segment information:						
Depreciation	2,752	–	1,503	15,030	417	19,702
Amortisation	–	1,665	–	–	–	1,665
Impairment losses on long term investments	129,832	–	–	–	–	129,832
Impairment of leasehold land and buildings	–	–	–	–	–	–
Capital expenditure	1,830	–	1,273	5,036	–	8,139

Geographical segments

The following table presents revenue, certain assets and expenditure information for the Group's geographical segments:

31 July 2004

	Hong Kong <i>HKS '000</i>	Mainland China <i>HKS '000</i>	Asia (other than Mainland China) <i>HKS '000</i>	North America <i>HKS '000</i>	Europe <i>HKS '000</i>	Other countries <i>HKS '000</i>	Consolidated <i>HKS '000</i>
Continuing operations							
Segment revenue:							
Turnover	8,780	4,089	517	3,658	5,147	942	23,133
Segment assets	156,276	74,640	–	–	–	–	230,916
Capital expenditure	490	5,563	–	–	–	–	6,053

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31 July 2003

	Hong Kong HK\$ '000	Mainland China HK\$ '000	Asia (other than Mainland China) HK\$ '000	North America HK\$ '000	Europe HK\$ '000	Other countries HK\$ '000	Consolidated HK\$ '000
Continuing operations							
Segment revenue:							
Turnover	11,687	8	1,080	2,973	3,575	–	19,323
Segment assets	311,058	89,551	–	–	–	–	400,609
Capital expenditure	<u>1,788</u>	<u>1,315</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,103</u>
Discontinued operations							
Segment revenue:							
Turnover	42,492	79,372	35,935	50,948	46,601	3,552	258,900
Capital expenditure	<u>303</u>	<u>4,733</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,036</u>

4. FINANCE COSTS

	Group	
	2004 HK\$ '000	2003 HK\$ '000
Interest on bank overdrafts and bank loans wholly repayable within five years	–	1,950
Interest on a securities trading account	1,605	–
Interest on a convertible note	330	–
Total finance costs	<u>1,935</u>	<u>1,950</u>

5. LOSS BEFORE TAX

Loss before tax was determined after charging the following:

	2004 HK\$ '000	2003 HK\$ '000
Depreciation	3,454	19,702
Provision for impairment of long term investments transferred from the investment revaluation reserve	155,320	129,832
Loss on disposal of long term investments (after a transfer from the investment revaluation reserve of a deficit of HK\$433,000)	–	513
Loss on disposal of short term investments	–	7,153
Unrealised loss on short term investments	2,850	38,074
Loss on disposal of fixed assets	<u>–</u>	<u>2</u>

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2004 HK\$ '000	2003 HK\$ '000
Group:		
Current – Hong Kong		
Charge for the year	–	2,184
Overprovision in the prior year	–	(406)
Total tax charge for the year	<u>–</u>	<u>1,778</u>

7. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 July 2004 is based on the net loss attributable to shareholders for the current year of HK\$215,929,000 (2003: HK\$334,777,000), and on the weighted average of 9,268,432,680 (2003: 8,526,612,053) ordinary shares in issue during the year.

No diluted loss per share amount has been presented for the years ended 31 July 2004 and 2003 as the warrants and options outstanding during these years had anti-dilutive effects on the basic loss per share for these years.

8. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 July 2004 (2003: nil).

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FINANCIAL RESULTS

For the year ended 31 July 2004, the Group's turnover was approximately HK\$23.1 million, representing an increase of 19.7% as compared to that for the continuing operation of HK\$19.3 million last year, and representing a decrease of 91.7% as compared to the total turnover of approximately HK\$278.2 million last year. Such decrease was mainly due to the absence of the turnover from the discontinued operations which recorded a turnover of HK\$258.9 million last year. The Group's loss attributable to shareholders was approximately HK\$215.9 million for the year, representing a decrease in loss of approximately 35.5% as compared with the loss for the last year of HK\$334.8 million. The decrease in loss attributable to shareholders for the year was mainly due to the loss on disposal of HK\$105 million recorded last year.

BUSINESS REVIEW

The financial year under review was a challenging and strategic year for the Group. The Group's business activities were broadly divided into: (a) the industrial segment which consisted of the manufacturing and trading of batteries and silicone rubber products; and (b) the investment segment which consisted of investments in the areas of Internet, information technology, natural gas and capital market. Following the disposal of its battery operation in July 2003, the industrial segment is no longer the Group's major focus.

Investment Business

Last year was a difficult year for the Group's investment business, given the adverse impact of the volatile global economy and the outbreak of SARS lagging into the operations and performance of the investee companies in this year, some of the investee companies were seriously suffered. For prudence sake, an impairment loss on the long-term investments of HK\$155.3 million (2003: HK\$129.8 million) was made in this year.

During the year under review, we utilised a total amount of HK\$185 million on the acquisition of long-term investments (2003: HK\$106 million) and disposed of certain interests of an investee company at a total consideration of HK\$5 million subsequent to the balance sheet date. As at the balance sheet date, the Group maintained a long-term investment portfolio of approximately HK\$123.5 million (2003: HK\$100.9 million).

As at the balance sheet date, the Group maintained a marketable securities portfolio, consisting of equity securities listed in Hong Kong, of approximately HK\$16 million (2003: HK\$87.7 million) while cashing securities for approximately HK\$68.9 million during the year under review, and an impairment loss on the securities of approximately HK\$2.9 million was made due to the decrease in market value as at the balance sheet date.

On the one hand, we are strengthened and more flexible, with our strategic Japanese partner and the co-investing arrangement, in investing in projects with high growth of larger scale, on the other hand balance between risk and return is always cautiously assessed to suit our prudent-but-aggressive investing strategy while overall risk of the investment portfolio is reduced by our extensive experience and expertise on diversification of investments in different kind of assets and projects.

Natural Gas Business

The Group, through its jointly-controlled entity, China City Natural Gas Co., Ltd. ("CCNGL"), a joint venture with China Petroleum Pipeline Bureau (中國石油天然氣管道局), holds joint-venture natural gas companies in various cities and areas in China, namely, Xining, Tianjin (Binhai District), Liling, Binzhou, Huimin and Qingyun to operate piped natural gas business.

The performance from Tianjin, Binzhou, Huimin and Qingyun where business of the supply of natural gas commenced in the last financial year, was disappointing, whereas the performance in Xining remains strong and growing. For the year under review, turnover and net loss of CCNGL were approximately HK\$260 million (2003: HK\$117 million) and HK\$18.8 million (2003: profit of HK\$780,000) respectively.

By the end of the year 2003, CCNGL has already fully invested its capital in natural gas projects in various cities. Since the capital base has virtually been exhausted, the expansion and growth into further cities would be stagnant. The Group would like to continue investing in the natural gas business provided that it could increase its equity interest in CCNGL to achieve management control, otherwise, the Group may consider disposing of the natural gas investment to release the resources for other suitable investments.

Manufacturing Business

Following the disposal of the Group's battery operation in July 2003, the industrial segment is no longer the Group's major focus. The remaining businesses of the manufacturing and trading of silicone rubber products is minimal and insignificant to the Group's major business as investment holding. Turnover and net loss of the silicone rubber operation were approximately HK\$23.1 million (2003: HK\$19.3 million) and HK\$1.6 million (2003: profit of HK\$1.1 million) respectively.

Employees and Remuneration Policy

As at 31 July 2004, the Group employed a total workforce of approximately 365 people (2003: 276) among which 29 people (2003: 25) were working in Hong Kong and 336 people (2003: 251) were working in the PRC. The staff costs for the year amounted to approximately HK\$13.6 million (2003: HK\$31.7 million). Remuneration package is reviewed annually with reference to the market trend and prevailing legislation. Discretionary bonuses are granted to certain employees of the Group. In the PRC, the Group provides its employees with staff welfare in accordance with the prevailing labour law. Certain Directors and employees of the Group are entitled to medical insurance.

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Litigation

On 11 August 2003, legal proceedings were brought by a third party against the Company for an alleged breach of an arrangement relating to a proposed sale and purchase of certain subsidiaries of the Company including an exclusivity arrangement. The amount claimed by the third party against the Company are damages of (i) the opportunity to acquire HK\$129 million worth of assets being the combined net asset value of those subsidiaries as at 31 March 2003 at the consideration of HK\$40 million; and (ii) breach of terms in the relevant agreements for a sum of HK\$3 million. Based on legal advice, the Directors consider that the probable maximum future outflow of resources, as a result of the claim, is HK\$3 million. As at the date of this announcement, there is no further development in relation to this case.

Golite International Limited ("Golite"), a wholly-owned subsidiary of the Group engaged in the manufacturing and trading of silicone rubber products, has been carrying out its operation in Dongguan, the PRC by virtue of a feeding processing arrangement made between a Dongguan manufactory ("Manufactory") and Golden Power Industries Limited ("Golden Power"), a disposed subsidiary of the Group engaged in the manufacturing of batteries. Following the disposal of the battery business, Golite has decided to detach from the Manufactory, and a new factory is set up. Requests were made to Golden Power on releasing the plants and machineries and related trading records, but such requests were unreasonably rejected by Golden Power. Golite has taken legal action against Golden Power. As at the date of this announcement, most of the trading records were returned to Golite.

LIQUIDITY AND FINANCIAL RESOURCES

Borrowings

As at 31 July 2004, save for the convertible notes in an aggregate principal amount of HK\$20,000,000 issued in January 2004, the Group has no bank loans, overdraft or other borrowings. As at 31 July 2004, the Group's gearing ratio, measured on the basis of total current liabilities as a percentage of total shareholders' fund, was 20.3% as compared with 7% in last financial year end.

Capital Investments and Commitments

During the year under review, the Group has totally invested HK\$185 million in long-term investments. Save for the memorandum of understanding made in October 2004 in relation to the possible acquisition of a majority stake in Shanghai Holdfast Science & Technology Co., Ltd., the Group did not incur or commit any material investment or capital expenditure during the year.

Capital Structure

In January 2004, the Company issued 500,000,000 new shares of the Company at a par value of HK\$0.025 ("Shares") each pursuant to the placing agreement dated 18 December 2003, which raised approximately HK\$19.5 million. In addition, the Company issued a convertible note in an aggregate principal amount of HK\$20,000,000 for a net proceeds of approximately HK\$19.8 million. As at 31 July 2004, no convertible note was converted. During the year under review, 336,190,000 new Shares were issued upon exercise of 51,190,000 and 285,000,000 option shares at the subscription prices of HK\$0.055 per Share and HK\$0.037 per Share respectively, resulting in raising approximately HK\$13.4 million.

Subsequent to the balance sheet date, the Group issued (i) the convertible notes in an aggregate principal amount of HK\$25,000,000 to Cross Profit Capital Limited, icoupon Limited and independent investors through placing agent in October 2004 ("Oct CN"). The Oct CN is interest bearing of 1% per annum and if fully converted at the conversion price of HK\$0.025 per Share, a total of 1,000,000,000 Shares will be issued; and (ii) the convertible notes in an aggregate principal amount of US\$2,000,000 (approximately HK\$15,600,000) to ICP Inc ("ICP CN") in November 2004. The ICP CN is interest bearing of 1% per annum and if fully converted at the conversion price of HK\$0.025 per Share, a total of 624,000,000 Shares will be issued.

In October 2004, the Company proposed a rights issue on the basis of two rights shares of HK\$0.025 each for every ten existing Shares with bonus shares to be issued on the basis of three bonus shares for every two fully-paid rights shares ("Rights Issue"). The Rights Issue is fully underwritten by Kingston Securities Limited and is expected to be completed at the end of December 2004. The net proceeds to be raised from the Rights Issue will be approximately HK\$50,000,000 and a total of 5,120,920,710 Shares will be issued under the Rights Issue.

To accommodate the rapid growth and to facilitate the up-coming fund raising exercises of the Group, in October 2004, the Company proposed to increase its authorised share capital from HK\$500,000,000 divided into 20,000,000,000 Shares to HK\$1,250,000,000 divided into 50,000,000,000 Shares by the creation of 30,000,000,000 new Shares.

As at 31 July 2004, the Group had total assets of approximately HK\$230.9 million (2003: HK\$400.6 million). Current assets were approximately HK\$29.5 million (2003: HK\$204.2 million), while current liabilities were approximately HK\$39 million (2003: HK\$26.2 million). As at the balance sheet date, the current ratio of the Group is 0.76 (2003: 7.79) and the quick ratio is 0.59 (2003: 6.54).

Assuming other things being status quo, upon completion of the Rights Issue together with the convertible notes issued subsequent to the balance sheet date, the Group will have total assets of approximately HK\$321.5 million and current assets of HK\$120.1 million. As such, the Group's current ratio and quick ratio will be improved to 2.06 and 1.87 respectively.

As at the date of this announcement, the Company has total 10,241,841,423 Shares in issue.

China City Natural Gas Holdings Limited

PROSPECTS

Since the joining of new management to the Board in September 2004, by virtue of the new Directors' extensive business networks and connections in Japan, the Company has taken a great leap to reposition itself as a value-added platform for high growth Japanese IT and telecom companies to invest in China. As such, in October 2004, the Board proposed to change the Company's name to Nippon Asia Investments Holdings Limited and adopt “日本亞太事業投資有限公司” as its Chinese name to reflect the aforesaid.

The Group has established strategic alliance with Japanese investor by the co-investing arrangement, aiming at the technology and telecom projects with high growth and earnings potential in China. To facilitate the up-coming co-investing opportunities in investments of larger scale, the Group has carried out a series of fund raising exercises, including the proposed Rights Issue, to strengthen its financial position, and taking our commitment to action, the Group has also entered into a memorandum of understanding to acquire a majority stake in Shanghai Holdfast Science & Technology Co., Ltd. and if proceeded, this will enhance the value-added features of the Company. Such possible acquisition will also provide the Group with synergistic competitive advantages, and bring significant returns in the long run.

The Group is optimistic towards the economic development of China and believes the growth will be continuous and substantial. By virtue of the Board's ample business connections and network with Japanese investors, the Group will definitely have niche in acting as investments platform in the PRC, and the Board will leverage on its expertise and resources in both the PRC and Japan markets to aggressively pursue expansion strategy.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

GENERAL

All information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the Stock Exchange's website in due course.

By Order of the Board
Wong Kui Shing, Danny
Chairman

Hong Kong, 29 November 2004

As at the date of this announcement, the Board comprises six executive directors, namely Mr Wong Kui Shing, Danny, Mr Suzuki Masanori, Mr Eiji Sato, Mr Wong King Shiu, Daniel, Mr Kan Kwok Shu and Mr Lin Che Chu, George; and three independent non-executive directors, namely Mr Cheung Man Yau, Timothy, Mr Chuk Che Shing and Mr Kim Kwi Nam, Takao.

* For identification purposes only

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Garden Rooms, 2/F, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 30 December 2004 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the Directors and the Auditors for the year ended 31 July 2004;
2. To re-elect the retiring Directors and to authorise the Board of Directors to fix the remuneration of the Directors;
3. To re-appoint the retiring Auditors and to authorise the Board of Directors to fix their remuneration; and
4. As special business, to consider and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:
“**THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company or securities convertible into shares of the Company, or options, warrants or similar rights to subscribe for shares of the Company and to make or grant offers, agreements, options, warrants to subscribe for shares of the Company and other rights which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements, options, warrants to subscribe for shares of the Company and other rights which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or to be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into shares of the Company;
 - (iii) the exercise of rights under any share option schemes or similar arrangement for the time being adopted for the grant or issue to eligible participants of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company;
 - (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company;
 - (v) the exercise of any conversion rights attaching to any convertible notes issued or to be issued by the Company; and
 - (vi) a specified authority granted by the shareholders of the Company in general meeting;

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution, and the said approval shall be limited accordingly;

- (d) subject to the passing of each of the paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors of the Company and which are still in effect be and are hereby revoked; and
- (e) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
- (iii) the revocation or variation or renewal of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares in the Company, or an offer of warrants, options or other securities giving rights to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or to other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory bodies or any stock exchanges in, any territories applicable to the Company).”

By Order of the Board
Wong Kui Shing, Danny
Chairman

Hong Kong, 29 November 2004

China City Natural Gas Holdings Limited

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

31/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Notes:

- (i) Any member of the Company entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint one proxy to attend and vote for him. A proxy need not be a member of the Company but must be present in person to represent the member.
- (ii) A form of proxy for use at the meeting is enclosed. In order to be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof, must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be).
- (iii) The register of members of the Company will be closed on both Wednesday, 29 December 2004 and Thursday, 30 December 2004, during which period no transfer of shares will be effected and no shares will be allotted and issued. In order to determine the identity of those members who are entitled to attend and vote at the meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at the above address for registration by no later than 4:00 p.m. on Tuesday, 28 December 2004.
- (iv) Concerning Resolution No. 2 set out in this notice, details of the Directors proposed to be re-elected at the meeting are set out in the Appendix to the 2003-2004 Annual Report of the Company.
- (v) Concerning Resolution No. 4 set out in this notice, the Directors of the Company wish to state that they have no immediate plan to issue any new securities of the Company and approval is being sought from the members as a general mandate in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- (vi) Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

Please also refer to the published version of this announcement in The Standard dated 30 November 2004.