

Condensed Consolidated Financial Statements

The Board of Directors (“Board”) of China City Natural Gas Holdings Limited (“Company”) presents the unaudited interim results of the Company and its subsidiaries (collectively “Group”) for the six months ended 31 January 2003, together with the comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company’s audit committee and external auditors, Messrs Ernst & Young, Certified Public Accountants in Hong Kong.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited) For the six months ended 31 January 2003 HK\$'000	(Unaudited) For the six months ended 31 January 2002 HK\$'000
	<i>Notes</i>		
TURNOVER			
– Continuing operations		155,456	128,730
– Discontinued operations		–	144,877
		155,456	273,607
Cost of sales	2	(119,470)	(249,537)
Gross profit		35,986	24,070
Other revenue	3	9,917	16,193
Selling and distribution costs		(9,671)	(17,042)
Administrative expenses		(40,325)	(55,060)
Provision for impairment on long-term investments		(54,982)	(156,749)
Unrealised loss on short-term investments		(20,713)	–
LOSS FROM OPERATING ACTIVITIES		(79,788)	(156,747)
– Continuing operations		(79,788)	(156,747)
– Discontinued operations		–	(31,841)
		(79,788)	(188,588)
Finance costs	2	(841)	(1,738)
Share of profit of a jointly-controlled entity		1,109	–
LOSS BEFORE TAX	4	(79,520)	(190,326)
Tax	5	(1,778)	(663)
LOSS BEFORE MINORITY INTERESTS		(81,298)	(190,989)
Minority interests		(1,290)	663
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(82,588)	(190,326)
LOSS PER SHARE	6		
Basic		(0.99 cent)	(4.08 cents)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) At 31 January 2003 <i>HK\$'000</i>	(Audited) At 31 July 2002 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		110,950	116,602
Interest in a jointly-controlled entity		104,807	88,711
Long-term investments		122,230	112,988
Other assets		311	311
		338,298	318,612
CURRENT ASSETS			
Inventories		53,702	54,269
Trade receivables	7	34,825	38,979
Prepayments, deposits and other receivables		12,018	16,042
Short-term investments		131,492	84,298
Due from minority shareholders of subsidiaries		13,011	13,875
Pledged deposits		15,645	28,158
Cash and cash equivalents		140,177	185,771
		400,870	421,392
CURRENT LIABILITIES			
Trade payables	8	30,475	36,960
Trust receipt loans	9	12,553	4,843
Tax payable		9,616	8,601
Other payables and accruals		46,373	37,495
Interest-bearing bank loans and other borrowings	9	9,109	9,804
		108,126	97,703
NET CURRENT ASSETS		292,744	323,689
TOTAL ASSETS LESS CURRENT LIABILITIES		631,042	642,301
NON-CURRENT LIABILITIES			
Deferred tax		4,935	4,935
		4,935	4,935
		626,107	637,366
CAPITAL AND RESERVES			
Issued capital		217,141	202,622
Reserves		408,966	434,744
		626,107	637,366

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investments revaluation reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 August 2002	202,622	941,056	675	(15,461)	25,341	63	(516,930)	637,366
Issue of shares	14,519	42,164	-	-	-	-	-	56,683
Changes in fair value of long-term investments	-	-	-	(40,336)	-	-	-	(40,336)
Impairment losses on long-term investments transferred to profit and loss account	-	-	-	54,982	-	-	-	54,982
Loss for the period	-	-	-	-	-	-	(82,588)	(82,588)
At 31 January 2003	217,141	983,220	675	(815)	25,341	63	(599,518)	626,107
At 1 August 2001	116,595	758,963	675	(118,000)	-	63	(65,094)	693,202
Issue of shares	-	-	-	-	-	-	-	-
Changes in fair value of long-term investments	-	-	-	(86,553)	-	-	-	(86,553)
Transferred to profit and loss account upon disposal of long-term investments	-	-	-	(827)	-	-	-	(827)
Impairment losses on long-term investments transferred to profit and loss account	-	-	-	156,749	-	-	-	156,749
Loss for the period	-	-	-	-	-	-	(190,326)	(190,326)
At 31 January 2002	116,595	758,963	675	(48,631)	-	63	(255,420)	(572,245)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) For the six months ended 31 January 2003 <i>HK\$'000</i>	(Unaudited) For the six months ended 31 January 2002 <i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM:		(Restated)
OPERATING ACTIVITIES		
Continuing operations	23,487	19,813
Discontinued operations	–	1,146
	23,487	20,959
INVESTING ACTIVITIES		
Continuing operations	(108,007)	(120,169)
Discontinued operations	–	(2,680)
	(108,007)	(122,849)
FINANCING ACTIVITIES		
Continuing operations	38,926	(7,549)
Discontinued operations	–	(900)
	38,926	(8,449)
DECREASE IN CASH AND CASH EQUIVALENTS	(45,594)	(110,339)
Cash and cash equivalents at beginning of period	185,771	322,160
CASH AND CASH EQUIVALENTS AT END OF PERIOD	140,177	211,821
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	140,177	211,828
Bank overdrafts	–	(7)
	140,177	211,821

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting”. The accounting policies and basis of calculation used in the preparation of these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 July 2002, except that the Group has adopted the following new and revised SSAPs which are effective for the first time for the current period’s financial statements:

- SSAP 1 (Revised) : “Presentation of financial statements”
- SSAP 11 (Revised) : “Foreign currency translation”
- SSAP 15 (Revised) : “Cash flow statements”
- SSAP 25 (Revised) : “Interim financial reporting”
- SSAP 33 : “Discontinuing operations”
- SSAP 34 : “Employee benefits”

The adoption of the above new and revised SSAPs has no material effect on the Group’s financial statements, except in accordance with SSAP 1 (Revised), a condensed consolidated statement of changes in equity is presented instead of a condensed consolidated statement of recognised gains and losses, and in accordance with SSAP 15 (Revised), the presentation of the condensed consolidated cash flow statement has been amended.

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. On 15 March 2002, the Group disposed of its business operations involved in the manufacture and trading of electronic finished products and the trading of electronic parts and components, which had, therefore, been classified as “Discontinued operations” in the prior period’s financial statements. Summary details of the remaining business segments, which are classified as “Continuing operations”, are as follows:

- (a) investment in Internet and information technology activities;
- (b) investment in natural gas business;
- (c) manufacture and trading of batteries; and
- (d) manufacture and trading of silicone rubber products.

In determining the Group’s geographical segments, revenues and results are attributed to the segments based on the location of the customers. The principal activities of the Group are mainly managed along three geographical zones, Asia, Europe and America. Asia consists mainly of the PRC, Japan and India. Europe is mainly the United Kingdom and Spain. America includes the United States of America and Canada.

2. SEGMENT INFORMATION (Continued)

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

An analysis of the Group's revenues and results for the period by business segment is as follows:

	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 batteries of products HK\$'000	Manufacture and trading of silicone rubber products HK\$'000	Manufacture and trading of electronic finished products HK\$'000	Trading of electronic parts and components HK\$'000		
<i>For the six months ended 31 January 2003</i>								
Segment revenue:								
Turnover	-	-	145,483	9,973	-	-	-	155,456
Segment results	(90,228)	-	9,426	964	50	-	-	(79,788)
Finance costs								(841)
Share of profit of a jointly-controlled entity	-	1,109	-	-	-	-	-	1,109
Loss before tax								(79,520)
Tax								(1,778)
Loss before minority interests								(81,298)
Minority interests								(1,290)
Net loss from ordinary activities attributable to shareholders								(82,588)

For the six months ended 31 January 2002

Segment revenue:								
Turnover	-	-	117,246	11,484	-	128,746	16,131	273,607
Segment results	(157,217)	-	(789)	772	487	(30,393)	(1,448)	(188,588)
Finance costs								(1,738)
Loss before tax								(190,326)
Tax								(663)
Loss before minority interests								(190,989)
Minority interests								663
Net loss from ordinary activities attributable to shareholders								(190,326)

2. SEGMENT INFORMATION (Continued)

(b) Geographical segments

An analysis of the Group's turnover and results from the operating activities by geographical segment is as follows:

	Hong Kong	Elsewhere	Asia	America	Europe	Other	Consolidated
	HK\$'000	in the PRC	(other than	HK\$'000	HK\$'000	countries	HK\$'000
		HK\$'000	the PRC)			HK\$'000	
<i>For the six months ended 31 January 2003</i>							
Continuing operations							
Segment revenue:							
Turnover	32,104	42,090	17,921	35,389	25,798	2,154	155,456
Segment results	(46,516)	(26,723)	(2,289)	(5,189)	865	64	(79,788)
Discontinued operations							
Segment revenue:							
Turnover	-	-	-	-	-	-	-
Segment results	-	-	-	-	-	-	-
Group							
Segment revenue:							
Turnover	32,104	42,090	17,921	35,389	25,798	2,154	155,456
Segment results	(46,516)	(26,723)	(2,289)	(5,189)	865	64	(79,788)

For the six months ended 31 January 2002

Continuing operations							
Segment revenue:							
Turnover	31,025	30,721	18,381	17,034	27,282	4,287	128,730
Segment results	(53,970)	(63,906)	(28,664)	(3,454)	(6,915)	162	(156,747)
Discontinued operations							
Segment revenue:							
Turnover	95,676	-	42,212	2,919	4,032	38	144,877
Segment results	(21,994)	-	(9,825)	(9)	(13)	-	(31,841)
Group							
Segment revenue:							
Turnover	126,701	30,721	60,593	19,953	31,314	4,325	273,607
Segment results	(75,964)	(63,906)	(38,489)	(3,463)	(6,928)	162	(188,588)

3. OTHER REVENUE

	(Unaudited) For the six months ended 31 January 2003 <i>HK\$'000</i>	(Unaudited) For the six months ended 31 January 2002 <i>HK\$'000</i>
Interest income	2,285	3,951
Gain on disposal of short-term investments	1,145	238
Unrealised gain on short-term investments	–	6,932
Tooling and subcontracting income	5,482	3,849
Others	1,005	1,223
	9,917	16,193

4. LOSS BEFORE TAX

Loss before tax was determined after charging the following:

	(Unaudited) For the six months ended 31 January 2003 <i>HK\$'000</i>	(Unaudited) For the six months ended 31 January 2002 <i>HK\$'000</i>
Loss on disposal of long-term investments	33	–
Depreciation	9,750	14,735

5. TAX

The Group provides for tax on the basis of its profit for financial reporting purpose, adjusted for income and expense items which are not assessable nor deductible for profits tax purpose.

Hong Kong profits tax for the Company and its subsidiaries in Hong Kong has been provided at the rate of 16% (for the six months ended 31 January 2002: 16%) on the estimated assessable profits arising in Hong Kong during the current period. 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.

	(Unaudited) For the six months ended 31 January 2003 <i>HK\$'000</i>	(Unaudited) For the six months ended 31 January 2002 <i>HK\$'000</i>
Hong Kong	1,778	–
Elsewhere	–	663
Tax charged for the period	1,778	663

6. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 31 January 2003 is based on the net loss attributable to shareholders of HK\$82,588,000 (2002: HK\$190,326,000) and on the weighted average of 8,370,165,716 (2002: 4,663,785,628) ordinary shares in issue.

No diluted loss per share has been presented for the six months ended 31 January 2003 and 31 January 2002 as the warrants and options outstanding during those periods had anti-dilutive effects on the basic loss per share for those periods.

7. TRADE RECEIVABLES

	(Unaudited) At 31 January 2003 <i>HK\$'000</i>	(Audited) At 31 July 2002 <i>HK\$'000</i>
Ageing		
Current to 90 days	34,229	38,008
91 – 180 days	577	971
Over 180 days	19	–
Total	34,825	38,979

The Group allows an average credit period of 60 days to its trade customers and keeps monitoring its outstanding trade receivables. Overdue balances are regularly reviewed by the senior management of the Group.

The above ageing analysis of trade receivables was based on the respective due dates of the sales of goods.

8. TRADE PAYABLES

	(Unaudited) At 31 January 2003 <i>HK\$'000</i>	(Audited) At 31 July 2002 <i>HK\$'000</i>
Ageing		
Current to 90 days	29,177	36,061
91 – 180 days	725	345
Over 180 days	573	554
Total	30,475	36,960

The above ageing analysis of trade payables was based on the respective due dates of the receipts of goods and services. Included in trade payables was a trade-related balance due to minority shareholders of subsidiaries amounting to HK\$367,000 (31 July 2002: HK\$124,000). The balance is unsecured, interest-free and is repayable on normal trading terms.

9. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	(Unaudited)	(Audited)
	At	At
	31 January	31 July
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans repayable, secured:		
Within one year	9,109	9,804
Trust receipt loans	12,553	4,843

10. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	(Unaudited)	(Audited)
	At	At
	31 January	31 July
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills discounted with recourse	390	–

As at 31 January 2003, guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK\$12,747,000 (31 July 2002: HK\$14,646,000).

11. COMPARATIVE AMOUNTS

As further explained in Note 1 to the condensed consolidated financial statements, due to the adoption of certain new and revised SSAPs during the current period, the accounting treatment and presentation of certain items in the condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation.

12. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 23 April 2003.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 January 2003 (for the six months ended 31 January 2002: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 31 January 2003, the Group had an unaudited net loss attributable to shareholders of approximately HK\$83 million, as compared with a net loss of approximately HK\$190 million recorded for the same period of last financial year. Accordingly, the basic loss per share of the Group was HK0.99 cent (for the six months ended 31 January 2002, loss per share: HK4.08 cents).

Business Review

The financial year of 2003 marks the new era of the Group as the results of our new core business, natural gas operations in China, are fully reported for the first time in our consolidated financial statements. Our natural gas joint-venture company in China, China City Natural Gas Company Limited (“CCNGCL”), successfully acquired interests in 8 projects involved in the natural gas business. Xining in Qinghai Province is the first city in China for CCNGCL to commence its exclusive piped-city natural gas operations. In December 2002, CCNGCL secured a project loan facility of RMB 8 billion from a leading bank in Shenzhen, China to build up its natural gas pipeline networks in China. With this project loan facility, CCNGCL is able to finance the capital requirement of its natural gas projects and expand its business scale.

Although the Group has been adopting a prudent and cautious approach in evaluating our Internet and information technology portfolio, the continuous slow down in worldwide economies, the little sign of recovery of the Internet and information technology sectors, and the war in Iraq have negative impact on our investments. Hence, the fair values of our long-term and short-term investment portfolios have been reduced by approximately HK\$40 million and HK\$21 million respectively. The Group also reduced its negative reserve from approximately HK\$16 million to approximately HK\$1 million and approximately HK\$55 million of impairment loss was charged to the profit and loss account.

Regarding the Manufacturing Business, its successful marketing strategies and the cost reduction programs led to the improved performance of the Battery and the Silicone Rubber Products Businesses for the period under review. The Battery Business had a turnaround and recorded a profit contribution of approximately HK\$9 million and the Silicone Rubber Products Business's profit contribution increased to approximately HK\$1 million.

Financial Review

During the period under review, the Company issued 400,790,000 shares for approximately HK\$41 million upon the exercise of options. Meanwhile, an aggregate amount of approximately HK\$67 million was utilised for short-term investments and approximately HK\$50 million was utilised for two long-term investments. The Group, after the acquisition of 19.1% of interests in Alta Financial Holdings Limited (“Alta”) and Zhongda Industrial Group Inc (“Zhongda”) by the issue of 180,000,000 shares of the Company as consideration in January 2003, holds 100% interests in these two companies. The Group did not have any other material acquisition or disposal of long-term investments during the period under review.

Financial Review (Continued)

As at 31 January 2003, the aggregate cash and bank balances of the Group amounted to approximately HK\$156 million. The levels of the Group's trade receivables and payables as at 31 January 2003 were relatively low when compared with those of 31 July 2002 since January is traditionally a low business season for the Group's Manufacturing Business. The liquidity position of the Group was as follows:

	31 January 2003	31 July 2002
Liquid ratio	3.21	3.76
Ratio of total liabilities to shareholders' equity	0.18	0.16

The Group has continuously placed its funds in US dollar and Hong Kong dollar time deposits with financial institutions in Hong Kong so as to minimise unfavourable risk factors, such as currency risk, credit risk and market risk.

As at 31 January 2003, the Group had outstanding bank borrowings of approximately HK\$22 million, out of which approximately HK\$13 million represented the outstanding trust receipt loans and the remaining HK\$9 million was related to two term-loans which are required to be repayable within one year. One of the aforesaid term-loans was secured by a leasehold property of the Group. Besides, most of the trust receipt loans were utilised to finance the purchases of raw materials, and the outstanding balance of which as at 31 January 2003 was higher than that as at 31 July 2002. We consider that the level of trust receipt loans as at 31 January 2003 was acceptable as the outstanding balance as at 31 July 2002 was at a relatively low level.

During the period under review, the Group increased its raw material purchases denominated in Japanese Yen and has secured the required Japanese Yen beforehand so as to minimise the exchange risk. In addition, the Group pledged deposits of approximately HK\$16 million to secure general banking facilities. The Group is considering to invest capital expenditures of approximately HK\$32 million in Battery Business and 80% of which will be financed by a term-loan from a bank in Hong Kong. As at 31 January 2003, the Group did not have any material capital expenditure commitments and its contingent liabilities were only approximately HK\$390,000.

Employees and Remuneration Policy

As at 31 January 2003, the Group employed approximately 1,540 full-time employees and out of which 1,440 were in China and 100 were in Hong Kong. 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 China, the Group provides its employees with staff welfare in accordance with the prevailing labour law. Certain employees of the Group are entitled to medical insurance. During the period under review, share options have been granted to certain employees of the Group pursuant to the Company's share option scheme.

Prospects

Recent estimations conducted by the International Monetary Fund show that the economic growth in China would be maintained at 7.5% per annum in both 2003 and 2004, after reviewing the impact of the war in Iraq and the recent outbreak of Severe Acute Respiratory Syndrome. Therefore, the Group will continue utilising most of its resources in developing the piped-city natural gas operations in China with our joint-venture partner, the China Petroleum Pipeline Bureau. Whilst the Chinese Central Government is anxious to promote the use of the environmental friendly energy sources, natural gas is the first choice among all other energy resources. With the success in the operations in Xining, we expect CCNGCL could also achieve promising results in other projects on hand. In 2003, CCNGCL expects that it would provide natural gas exclusively in 4 more projects in Huimin, Qingyun and Binzhou (2 projects in the city) of China. There are over 20 projects under discussions between CCNGCL and the respective city governments or authorities. We are confident that CCNGCL could be granted exclusive operation rights in most of these projects on the back of our strong Chinese connection and capital positions.

It is expected that the Manufacturing Business will be adversely affected by the prevailing sluggish economy. The global consumption power is significantly deteriorating and this exerts considerable pressure on most of the local manufacturers. Under the current critical situation, stringent cost control and further exploration of the PRC market must be introduced so as to maintain the operating results of the Manufacturing Business.

The Group will continue consolidating our investment portfolios in the second half of the financial year, by seeking opportunities in selling those non-performing portfolios. Facing the current uncertain investment climate, the Group will exercise great caution when identifying any new investment opportunities and we expect most of the new investments in future are with the business models capturing the strong economic growth in China.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY AND DEBT SECURITIES

As at 31 January 2003, the interests of the Directors and chief executive of the Company in the securities and share options of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

I. Securities

Name of Director	Nature of Interest	Number of Shares
WONG King Shiu, Daniel ("Mr Daniel Wong")	Family ^(Note)	2,180,122,000
WONG Kui Shing, Danny	Personal	15,400,000
KAN Kwok Shu	Personal	7,790,000

Note: As at 31 January 2003, out of these 2,180,122,000 Shares owned by Noble Islands Int'l Limited ("Noble Islands"), 2,067,722,000 Shares and 112,400,000 Shares were registered in the name of Kingston Finance Limited ("Kingston Finance") and HKSCC Nominees Limited respectively. The entire issued capital of Noble Islands is held by Maxi Gain Corporation ("Maxi Gain") which is in turn held by The Daniel K S Wong Family Trust, a discretionary trust ("Trust") of which Equity Trustee Limited ("Equity Trustee") is the trustee. The discretionary objects of the Trust are entities beneficially owned by the family members of Mr Daniel Wong and hence, Mr Daniel Wong was deemed to be interested in the 2,180,122,000 Shares owned by Noble Islands.

On 14 April 2003, Mr Daniel Wong reported that 2,067,722,000 Shares, representing 23.81% of the Company's issued share capital, held by Noble Islands were charged.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY AND DEBT SECURITIES (Continued)

II. Share Options

Name of Director	Date of Grant	Exercise Price	Exercise Period	Closing Price Before Date of Grant	Movement of Option Shares during the period				
					As at 1.8.2002	Granted	Exercised	Lapsed/ Cancelled	As at 31.1.2003
					<i>(HK\$)</i>				
WONG King Shiu, Daniel	03.06.2002	0.1530	03.06.2002 – 31.05.2004	0.1510 *	46,600,000	-	-	-	46,600,000
WONG Kui Shing, Danny	20.04.2000 12.12.2000	0.7392 0.2096	20.10.2000 – 19.04.2003 12.06.2001 – 11.05.2003	0.6900 0.2650	80,000,000 6,600,000	-	-	-	80,000,000 6,600,000
KAN Kwok Shu	19.05.2000 15.08.2001 15.03.2002	0.5568 0.0893 0.0550	19.11.2000 – 11.05.2003 15.02.2002 – 11.05.2003 15.04.2002 – 14.03.2004	0.6800 0.1160 0.0550	8,000,000 4,800,000 19,890,000	-	-	-	8,000,000 4,800,000 19,890,000
SUZUKI Masanori	20.04.2000 12.12.2000	0.7392 0.2096	20.10.2000 – 19.04.2003 12.06.2001 – 11.05.2003	0.6900 0.2650	40,000,000 9,000,000	-	-	-	40,000,000 9,000,000
LAU Wah Sum	03.06.2002	0.1530	03.06.2002 – 31.05.2004	0.1510 *	20,000,000	-	-	-	20,000,000
CHEUNG Man Yau, Timothy	04.07.2002	0.1180	04.07.2002 – 03.07.2004	0.1180	4,600,000	-	-	-	4,600,000
CHEN Jian **	02.05.2002	0.1540	02.06.2002 – 02.05.2004	0.1540	30,000,000	-	-	-	30,000,000

* The closing price was referred to the closing price on the date of the Board meeting at which the Board proposed to grant options to Mr Daniel Wong and Mr Lau Wah Sum.

** Mr Chen Jian has resigned as Director of the Company with effect from 22 January 2003.

Save as disclosed above, as at 31 January 2003, none of the Directors, chief executive or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company and its associated corporations which require notification to the Company and the Stock Exchange as defined in the SDI Ordinance.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under the age of 18, or were any such rights exercised by them; or was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate. In addition, none of the Directors and chief executive or their spouses or children under the age of 18 had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 January 2003, the following parties having an interest of 10% or more of the issued share capital of the Company were recorded in the register required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of Shares	% of Issued Shares
Noble Islands	2,180,122,000 ^(Note)	25.1
Maxi Gain	2,180,122,000 ^(Note)	25.1
Equity Trustee	2,180,122,000 ^(Note)	25.1

Note: As at 31 January 2003, out of these 2,180,122,000 Shares owned by Noble Islands, 2,067,722,000 Shares and 112,400,000 Shares were registered in the name of Kingston Finance and HKSCC Nominees Limited respectively. The entire issued capital of Noble Islands is held by Maxi Gain which is in turn held by the Trust of which Equity Trustee is the trustee. The discretionary objects of the Trust are entities beneficially owned by the family members of Mr Daniel Wong and hence, Mr Daniel Wong was deemed to be interested in the 2,180,122,000 Shares owned by Noble Islands.

Save as disclosed above, as at 31 January 2003, no other parties were recorded as having an interest of 10% or more of the issued share capital of the Company in the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance.

Subsequent to the end of the reporting period, the Company received notification in respect of interests in the Shares as follows:

- (i) On 3 April 2003, Kingston Finance reported that it has a security interest in 2,067,722,000 Shares, representing 23.81% of the Company's issued share capital;
- (ii) On 10 April 2003, Mr Wu Xu Men reported that he holds 526,026,000 Shares, representing 6.05% of the Company's issued share capital;
- (iii) On 11 April 2003, Mr Li Xue Bin reported that he holds 471,480,000 Shares, representing 5.42% of the Company's issued share capital;
- (iv) On 14 April 2003, Mr Daniel Wong reported that 2,067,722,000 Shares, representing 23.81% of the Company's issued share capital, held by Noble Islands were charged;
- (v) On 17 April 2003, Ms Chu Yuet Wah reported that being a controlling shareholder of Kingston Finance, she has an indirect interest in the Company in respect of the 2,067,722,000 Shares interested by Kingston Finance;
- (vi) On 17 April 2003, Ms Ma Siu Fong reported that being a controlling shareholder of Kingston Finance, she has an aggregate indirect interest of 23.83% in the Company's issued share capital, which included 2,067,722,000 Shares interested by Kingston Finance and 2,000,000 Shares held by her spouse; and
- (vii) On 17 April 2003, Mr Lee Wai Man reported that he has an aggregate interest of 23.83% in the Company's issued share capital, which included an indirect interest of 2,067,722,000 Shares interested by his spouse and an interest of 2,000,000 Shares as beneficial owner.

RESIGNATION OF DIRECTOR

Mr Chen Jian has resigned as Director of the Company with effect from 22 January 2003.

CONNECTED AND SHARE TRANSACTION

On 20 December 2002, Real Million Investments Limited, an indirectly wholly-owned subsidiary of the Company, entered into two share purchase agreements to acquire 19.1% of the issued share capital of each of Alta and Zhongda at a total consideration of HK\$18,000,000, which were satisfied by the issue by the Company of 180,000,000 consideration shares at an issue price of HK\$0.1 per Share. Upon completion of the aforesaid acquisition on 16 January 2003, both Alta and Zhongda became indirectly wholly-owned subsidiaries of the Company.

The aforesaid acquisition constitutes a connected and share transaction for the Company under Chapter 14 of the Listing Rules. As the consideration of the aforesaid acquisition falls within the threshold set out in Rule 14.25(1) of the Listing Rules, the acquisition is only subject to the disclosure requirement as stipulated therein. Details of the acquisition will be disclosed in the Company's next published annual report and accounts for the year ending 31 July 2003.

SHARE OPTION SCHEMES

On 11 May 1993, the Company adopted a share option scheme ("1993 Scheme"). In compliance with the new requirements of the Listing Rules effected on 1 September 2001, the Company adopted a new share option scheme on 31 January 2002 ("2002 Scheme") and terminated the 1993 Scheme on the same date while the 1993 Scheme remains in force until 11 May 2003 so as to give effect to the exercise of all the outstanding options granted.

SHARE OPTION SCHEMES (Continued)

As at 31 January 2003, particulars of the share options held by the Eligible Participants granted under the Company's share option schemes are as follows:

Category of Participant	Scheme	Date of Grant	Exercise Price	Exercise Period	Closing Price		Movement of Option Shares during the period			
					Before Date of Grant	As at 1.8.2002	Granted	Exercised	Lapsed/ cancelled	As at 31.1.2003
			(HK\$)		(HK\$)					
(i) Directors	1993	20.04.2000	0.7392	20.10.2000 – 19.04.2003	0.6900	120,000,000	–	–	–	120,000,000
	1993	19.05.2000	0.5568	19.11.2000 – 11.05.2003	0.6800	8,000,000	–	–	–	8,000,000
	1993	12.12.2000	0.2096	12.06.2001 – 11.05.2003	0.2650	15,600,000	–	–	–	15,600,000
	1993	15.08.2001	0.0893	15.02.2002 – 11.05.2003	0.1160	4,800,000	–	–	–	4,800,000
	2002	15.03.2002	0.0550	15.04.2002 – 14.03.2004	0.0550	19,890,000	–	–	–	19,890,000
	2002	03.06.2002	0.1530	03.06.2002 – 31.05.2004	0.1510 *	66,600,000	–	–	–	66,600,000
	2002	04.07.2002	0.1180	04.07.2002 – 03.07.2004	0.1180	4,600,000	–	–	–	4,600,000
(ii) Employees	1993	19.05.2000	0.5568	19.11.2000 – 11.05.2003	0.6800	4,000,000	–	–	–	4,000,000
	1993	15.08.2001	0.0893	15.02.2002 – 11.05.2003	0.1160	7,200,000	–	–	–	7,200,000
	2002	15.03.2002	0.0550	15.04.2002 – 14.03.2004	0.0550	73,190,000	–	16,890,000	–	56,300,000
	2002	04.07.2002	0.1180	04.08.2002 – 02.07.2004	0.1180	8,800,000	–	–	–	8,800,000
	2002	06.01.2003	0.0856	01.02.2003 – 31.01.2005	0.0920	–	17,000,000	–	–	17,000,000
	2002	06.01.2003	0.0856	01.07.2003 – 30.06.2005	0.0920	–	39,000,000	–	–	39,000,000
(iii) Consultants	2002	06.05.2002	0.1530	06.06.2002 – 06.05.2003	0.1510	170,000,000	–	–	–	170,000,000
	2002	04.07.2002	0.1180	04.08.2002 – 03.07.2003	0.1180	13,578,000	–	–	–	13,578,000
	2002	22.08.2002	0.1040	23.08.2002 – 15.08.2003	0.1100	–	160,000,000	80,000,000	–	80,000,000
	2002	26.08.2002	0.1040	27.08.2002 – 15.08.2003	0.1130	–	160,000,000	80,000,000	–	80,000,000
	2002	10.09.2002	0.1040	11.09.2002 – 15.08.2003	0.0990	–	320,000,000	220,000,000	–	100,000,000
(iv) Former Director	2002	02.05.2002	0.1540	02.06.2002 – 02.05.2004	0.1540	30,000,000	–	–	–	30,000,000
(v) Former Employees	2002	15.03.2002	0.0550	15.04.2002 – 14.03.2004	0.0550	3,900,000	–	3,900,000	–	–
	2002	04.07.2002	0.1180	04.08.2002 – 02.07.2004	0.1180	3,600,000	–	–	3,600,000	–
	2002	06.01.2003	0.0856	01.02.2003 – 31.01.2005	0.0920	–	3,000,000	–	–	3,000,000

* The closing price was referred to the closing price on the date of the Board meeting at which the Board proposed to grant options to these Directors.

Subsequent to the end of the reporting period, options to subscribe for 120,000,000 Shares which were granted under 1993 Scheme lapsed automatically on the expiry of the Exercise Period. Besides, options to subscribe for 33,000,000 Shares which were granted under 2002 Scheme lapsed upon the cessation of employment of an employee and resignation of a Director.

Subscription rights attaching to the share options are exercisable at different stages as determined by the Board.

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted to those grantees, because in the absence of a readily market value of the share options of the Company, the Directors were unable to arrive at an assessment of the value of these share options.

AUDIT COMMITTEE

In accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Board of Directors established an audit committee (“Audit Committee”) in 1998. The Audit Committee, consisting of the two independent non-executive Directors of the Company, reviews and supervises the Group’s financial reporting and internal control systems.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31 January 2003.

The interim financial report of the Company for the six months ended 31 January 2003 has been complied with Appendix 16 of the Listing Rules and reviewed by the auditors, Messrs Ernst & Young, in accordance with the Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Society of Accountants and an unqualified review report is issued.

CODE OF BEST PRACTICE

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, for any part of the accounting period covered by this report.

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 six months ended 31 January 2003.

By Order of the Board
China City Natural Gas Holdings Limited
Wong King Shiu, Daniel
Chairman

Hong Kong, 23 April 2003