

China Natural Gas, Inc.
Form DEF 14A
October 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant R
Filed by a Party other than the Registrant F

Check the appropriate box:

F Preliminary Proxy Statement
 F Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 R Definitive Proxy Statement
 F Definitive Additional Materials
 F Soliciting Material Pursuant to § 240.14a-12

CHINA NATURAL GAS, INC.
(Name of Registrant as Specified in its Charter)

N/A
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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 F Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:

CHINA NATURAL GAS, INC.
19th Floor, Building B, Van Metropolis
35 Tang Yan Road, Hi-Tech Zone
Xi'an, 710065, Shaanxi Province, People's Republic of China

Dear Stockholder:

You are cordially invited to attend this year's annual meeting of stockholders on Wednesday, December 8, 2010 at 9:30 a.m., People's Republic of China time. The meeting will be held at Shuofang Hotel, located at No. 67 Dongxin Street, Jingbian County, Shanxi Province, People's Republic of China. We chose this location to give stockholders the opportunity to visit our first liquified natural gas plant, which is located nearby. Directions to Shuofang Hotel appear on the back of the Notice of Annual Meeting of Stockholders and in the Proxy Statement. A shuttle bus will be available to take you to Shuofang Hotel for the Annual Meeting from Yulin Airport, Yilin City, Shanxi Province, People's Republic of China.

We are pleased to take advantage of the United States Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders over the Internet. On October 29, 2010, we mailed to our stockholders (other than those who previously requested electronic or paper delivery) a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our proxy materials, including our 2010 Proxy Statement and Annual Report to Stockholders for the fiscal year ended December 31, 2009. The Notice also provides instructions on how to vote online or by telephone and includes instructions on how to receive a paper copy of the proxy materials by mail. If you received your annual meeting materials by mail, the Notice of Annual Meeting of Stockholders, Proxy Statement, Annual Report to Stockholders and proxy card were enclosed.

The matters to be acted upon are described in the Notice of Annual Meeting of Stockholders and Proxy Statement. Following the formal business of the meeting, we will report on our company's operations and respond to questions from stockholders.

Whether or not you plan to attend the meeting, your vote is very important and we encourage you to vote promptly. You may vote your shares via a toll-free telephone number or over the Internet, as described in the proxy materials, or, if you received a paper copy of the proxy card by mail, you may mark, sign and date the proxy card and return it in the envelope provided. Instructions regarding all three methods of voting are provided on the proxy card. If you attend the meeting you will, of course, have the right to revoke the proxy and vote your shares in person. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from them to vote your shares.

Thank you for your ongoing support of and continued interest in China Natural Gas, Inc.

Sincerely,

Qinan Ji
Chairman and Chief Executive Officer

October 29, 2010

CHINA NATURAL GAS, INC.

NOTICE OF THE 2010 ANNUAL MEETING OF STOCKHOLDERS

October 29, 2010

To our Stockholders:

Notice is hereby given that the 2010 Annual Meeting of Stockholders of China Natural Gas, Inc., a Delaware corporation, will be held on Wednesday, December 8, 2010 at 9:30 a.m., People's Republic of China time. The meeting will be held at Shuofang Hotel, located at No. 67 Dongxin Street, Jingbian County, Shanxi Province, People's Republic of China. We chose this location to give stockholders the opportunity to visit our first liquified natural gas plant, which is located nearby.

Only stockholders of record that own our common stock at the close of business, People's Republic of China time, on October 19, 2010 are entitled to notice of and to vote at this meeting and any adjournment or postponement. For ten days prior to the Annual Meeting, a complete list of our stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at our principal executive offices located at 19th Floor, Building B, Van Metropolis, 35 Tang Yan Road, Hi-Tech Zone, Xi'an, 710065, Shaanxi Province, People's Republic of China.

At the meeting, we will consider the following proposals described in detail in the accompanying Proxy Statement:

1. To elect five directors to hold office until the annual meeting of stockholders to be held in 2011 and until their respective successors are elected and qualified, or their earlier death, resignation or removal. The Board of Directors has nominated Qinan Ji, Zhiqiang Wang, Yang Xiang Dong, Carl Yeung and Lawrence W. Leighton for election as directors at the meeting.
2. To ratify the adoption of the China Natural Gas, Inc. 2009 Employee Stock Option and Stock Award Plan.
3. To approve any adjournments of the meeting to another time or place, if necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies in favor of any of the foregoing proposals.
4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement of the meeting.

YOUR VOTE IS IMPORTANT: Whether or not you plan to attend the Annual Meeting of Stockholders, please vote your shares via telephone or the Internet, as described in the accompanying materials, to assure that your shares are represented at the meeting, or, if you received a paper copy of the proxy card by mail, you may mark, sign and date the proxy card and return it in the postage-paid envelope provided with the proxy card. If you attend the meeting, you may choose to vote in person even if you have previously voted your shares.

You are entitled to attend the Annual Meeting only if you were a stockholder as of the close of business, People's Republic of China time, on October 19, 2010 or hold a valid proxy for the Annual Meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. You should be prepared to present photo identification for admittance. If your shares are held of record by a broker, bank or nominee, you should provide proof of beneficial ownership as of October 19, 2010, such as your most recent account statement prior to such date, a copy of a proxy issued in your name from the record holder or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the Annual Meeting. The Annual Meeting will begin promptly at 9:30 a.m., People's Republic of China time. Check-in will begin at 8:00 a.m., and you should allow ample time for the check-in procedures.

Directions to Shuofang Hotel from Yulin Airport, Yilin City, Shanxi Province, People's Republic of China:

1. From Yulin Airport, head northeast toward Hangyu Road.
2. Turn left onto Hangyu Road and follow for 300 meters.
3. Turn left onto Yuyang West Road and follow for 300 meters.
4. Turn right onto Wenhua South Road and follow for 400 meters.
5. Turn left onto Liuying West Road and follow for 950 meters.
6. Turn right onto Xingyu Road and follow for 1 kilometer.
7. Stay in the left lane and continue on Xinyu Road for 1.6 kilometers.
8. Turn left and take the ramp to Baomao Highway.
9. Follow Baomao Highway to Exit Jingbian East/S204 for about 160 kilometers.
10. Follow the sign and turn left at 204 Provincial Highway.
11. Continue on 204 Provincial Highway for about 1.2 kilometers.
12. Turn left at Dongxin Street and continue for 92 meters, and Shuofang Hotel will be on your right hand side.

A shuttle bus will be available to take you to Shuofeng Hotel for the Annual Meeting from Yulin Airport, Yilin City, Shanxi Province, People's Republic of China.

Important Notice Regarding the Availability of Proxy Materials for the
Annual Meeting of Stockholders to be Held on December 8, 2010

Our Proxy Statement, form of proxy card and our Annual Report to Stockholders for the fiscal year ended December 31, 2009 are available in the "Investor Relations" area of our website at www.naturalgaschina.com.

CHINA NATURAL GAS, INC.

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CHINA NATURAL GAS, INC.
19th Floor, Building B, Van Metropolis
35 Tang Yan Road, Hi-Tech Zone
Xi'an, 710065, Shaanxi Province, People's Republic of China

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS

We are providing these proxy materials to you in connection with the solicitation by the Board of Directors of China Natural Gas, Inc., a Delaware corporation, of proxies to be used at our 2010 Annual Meeting of Stockholders to be held on Wednesday, December 8, 2010 at 9:30 a.m., People's Republic of China time, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This proxy statement and related materials are first being made available to stockholders on or about October 29, 2010. The Company's principal executive offices are located at 19th Floor, Building B, Van Metropolis, 35 Tang Yan Road, Hi-Tech Zone, Xi'an, 710065, Shaanxi Province, People's Republic of China. References in this proxy statement to the "Company," "we," "our," "us" and "China Natural Gas" are to China Natural Gas, Inc. and to the "Annual Meeting" are to the 2010 Annual Meeting of Stockholders.

SOLICITATION AND VOTING

Record Date

Our Board of Directors has fixed the close of business, People's Republic of China time, on October 19, 2010 as the record date for determination of stockholders entitled to vote at the Annual Meeting and any adjournment or postponement. As of the record date, we had approximately 20 stockholders of record.

On October 29, 2010, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials directing stockholders to a web site where they can access our proxy statement for the Annual Meeting and the Annual Report for the fiscal year ended December 31, 2009, and view instructions on how to vote via the Internet or by phone. If you would prefer to receive a paper copy of our proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials.

Quorum and Vote Required

A majority of the shares of common stock issued and outstanding as of the record date must be represented, in person or by proxy, to constitute a quorum for the transaction of business at the meeting.

If a quorum is present, the votes required for the proposals to be considered at the Annual Meeting and the treatment of abstentions and broker non-votes in respect of such proposals are as follows:

§ Proposal 1: The affirmative vote of a majority of the shares of our common stock present or represented by proxy and entitled to vote at the Annual Meeting is required to elect the five nominees for director. Abstentions and broker non-votes will be counted as present for purposes of determining whether a quorum is present. Abstentions will have the same effect as a vote against the election of directors. Broker non-votes will have no effect on the outcome of the vote. Note that if your shares are held by a broker or nominee, such broker or nominee will not have authority to vote your shares in the election of directors unless you provide instructions to him or her regarding how you would like your shares to be voted.

§ Proposal 2: The affirmative vote of the holders of a majority of the shares of our common stock present or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the adoption of the China Natural Gas, Inc. 2009 Employee Stock Option and Stock Award Plan. Abstentions and broker non-votes will be counted as present for purposes of determining whether a quorum is present. Abstentions will have the same effect as a negative vote. Broker non-votes will have no effect on the outcome of the vote. Note that if your shares are held by a broker or nominee, such broker or nominee will not have authority to vote your shares on this proposal unless you provide instructions to him or her regarding how you would like your shares to be voted.

§ Proposal 3: The affirmative vote of the holders of a majority of the shares of our common stock present or represented by proxy and entitled to vote at the Annual Meeting is required to approve the adjournment of the meeting to another time and place, if necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies in favor of any of the foregoing proposals. Abstentions and broker non-votes will be counted as present for purposes of determining whether a quorum is present and will have the same effect as a negative vote on this proposal.

Voting of Proxies

Holders of shares of common stock are entitled to cast one vote per share on all matters submitted to a vote of stockholders. As of October 25, 2010, 21,321,904 shares of common stock were outstanding. All shares of common stock represented by properly executed proxies received before or at the Annual Meeting will, unless the proxies are revoked, be voted in accordance with the instructions indicated on the proxies. If no instructions are indicated on a properly executed proxy card, the shares will be voted as the Board recommends on each proposal.

Stockholders whose shares are registered in their own names may vote (i) by returning a proxy card, (ii) via the Internet or (iii) by telephone. Specific instructions to be followed by any registered stockholder interested in voting via the Internet or by telephone are set forth in the Notice of Internet Availability of Proxy Materials and on the proxy card. The Internet and telephone voting procedures are designed to authenticate the stockholder's identity and to allow the stockholders to vote his or her shares and confirm that his or her voting instructions have been properly recorded. If you do not wish to vote via the Internet or telephone, please complete, sign and return the proxy card.

Many banks and brokerage firms have a process for their beneficial owners to provide instructions over the telephone or via the Internet. Your voting form from your broker or bank will contain instructions for voting.

If your shares are held in an account at a brokerage firm or bank, that brokerage firm or bank may vote your shares on the proposal to approve the adjournment of the Annual Meeting, but will not be permitted to vote your shares with respect to the election of directors or the ratification of the 2009 Employee Stock Option and Stock Award Plan unless you provide instructions as to how to vote your shares. If an executed proxy card is returned by a broker or bank holding shares which indicates that the broker or bank has not received voting instructions and does not have discretionary authority to vote on the proposals, the shares will be considered present at the meeting for purposes of determining the presence of a quorum, but will not be considered to have been voted in favor of the proposals. Your broker or bank will vote your shares on Proposals 1 and 2 only if you provide instructions on how to vote by following the information provided to you by your broker. Please note that if your shares are held of record by a broker, bank or nominee and you wish to vote at the meeting, you will not be permitted to vote in person unless you first obtain a proxy issued in your name from the record holder.

Votes submitted by telephone or via the Internet must be received by 11:59 p.m., People's Republic of China time, on December 7, 2010. Submitting your proxy by telephone or via the Internet will not affect your right to vote in person should you decide to attend the annual meeting.

A stockholder who delivers an executed proxy has the power to revoke his or her proxy at any time before it is exercised by (i) executing and delivering to the Secretary of China Natural Gas, Inc., at 19th Floor, Building B, Van Metropolis, 35 Tang Yan Road, Hi-Tech Zone, Xi'an, 710065, Shaanxi Province, People's Republic of China, a written instrument revoking the proxy or a duly executed proxy with a later date, or (ii) by attending the meeting and voting in person.

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Solicitation of Proxies

We will bear the expense of soliciting proxies. Our directors, officers and other employees, without additional compensation, may solicit proxies personally or in writing, by telephone, e-mail or otherwise. We are required to request that brokers and nominees who hold stock in their names furnish our proxy materials to the beneficial owners of the stock, and we will reimburse these brokers and nominees for their reasonable expenses incurred in so doing.

Attending the Annual Meeting

The meeting will be held at Shuofang Hotel, located at No. 67 Dongxin Street, Jingbian County, Shanxi Province, People's Republic of China. You are entitled to attend the Annual Meeting only if you were a stockholder as of the close of business, People's Republic of China time, on October 19, 2010 or hold a valid proxy for the Annual Meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. You should be prepared to present photo identification for admittance. If your shares are held of record by a broker, bank or nominee, you should provide proof of beneficial ownership as of October 19, 2010, such as your most recent account statement prior to such date, a copy of a proxy issued in your name from the record holder or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the Annual Meeting. The Annual Meeting will begin promptly at 9:30 a.m., People's Republic of China time. Check-in will begin at 8:00 a.m., and you should allow ample time for the check-in procedures.

Directions to Shuofang Hotel from Yulin Airport, Yilin City, Shanxi Province, People's Republic of China:

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2. Turn left onto Hangyu Road and follow for 300 meters.
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7. Stay in the left lane and continue on Xinyu Road for 1.6 kilometers.
8. Turn left and take the ramp to Baomao Highway.
9. Follow Baomao Highway to Exit Jingbian East/S204 for about 160 kilometers.
10. Follow the sign and turn left at 204 Provincial Highway.