

CHINA GAS MAINTAINS RAPID GROWTH IN FY2020/21 ANNUAL RESULTS

**Total Gas Sales Volume Increased Notably By 23.0% To 31.21 billion m³
Profit Attributable To Owners Of The Company Up By 14% To HK\$10.48 Billion
38 New City Gas Projects Added, Totalling 642**

**Vigorously Develops Green Energy Businesses, to Tap Into a Trillion-Dollar New Energy Market
Signed a Memorandum Of Understanding with The United Nations Environment Programme to
Continue to Promote High-Quality ESG And Low-Carbon Environment**

- Net operating cash flows increased significantly by 27.6% to HK\$8.28 billion, and well-performed sustainable free cash flows amounting to HK\$768 million
- Value-added service business has grown rapidly for six consecutive years, achieving a substantial increase of 53.6% in revenue to HK\$7.72 billion, operating profit increased markedly by 45.6% to HK\$2.32 billion
- Accumulated totals of residential, industrial and commercial users rose by 14.4%, 16.1% and 14.0% respectively
- Benefiting from the government “Central No. 1 Document”, LPG Smart MicroGrid business has become a new growth driver, with two million residential use contracts signed accumulatively
- Healthy financial status with a cash-on-hand balance of HK\$8.57 billion, and abundant financial resources, with bank credit and approved RMB bond reserve line of about HK\$121.3 billion
- Net gearing ratio further reduced to a very healthy level at 38% as of end of May 2021

Financial Highlights

	For the Year Ended 31 March		Change
	2021 HK\$'000	2020 HK\$'000	
Revenue	69,975,381	59,539,681	17.5%
Piped Gas Sales	35,935,728	27,053,131	32.8%
Connection Fees	12,477,418	12,319,583	1.3%
Engineering Design and Construction	678,271	1,367,375	-50.4%
Sales of LPG	13,163,822	13,774,300	-4.4%
Value-added Services	7,720,142	5,025,292	53.6%
Gross Profit	18,102,158	17,097,048	5.9%
Profit for the Year	11,672,283	10,260,666	13.8%
Profit Attributable to the Owners of the Company	10,478,683	9,188,474	14.0%
Basic Earnings per Share (HK cents)	201	176	14.2%
Total Dividend per Share (HK cents)	55	50	10.0%
	2021	2020	
	31 March	31 March	Change
	HK\$'000	HK\$'000 (Restated)	
Total Assets	140,720,642	112,099,544	25.5%
Total Equity	59,864,132	45,799,950	30.7%
Bank Balance and Cash	8,571,619	7,655,776	12.0%

【Hong Kong, June 28, 2021】 China Gas Holdings Limited ("China Gas" or the "Group"; stock code: 384), a leading piped-gas operator in China, has announced its annual results for the year ended March 31, 2021. During the financial year, benefiting from the gradual recovery of the Chinese economy and the country's long-term goals of "Carbon Peak" and "Carbon Neutrality", the natural gas industry continued to develop steadily. That plus the successful pursuit of new projects, the Group maintained rapid growth in its financial and operational performance. Total gas sales volume grew by 23.0% to 31.21 billion m³. Total revenue grew by 17.5% to HK\$69.98 billion. Profit attributable to owners of the Company increased by 14.0% to HK\$10.48 billion.

The Board of Directors declared payment of an annual dividend of 55 HK cents per share (FY2019/20: 50 HK cents), representing a 10.0% year-on-year growth, to reward shareholders for their continued support to the Group over the years.

Corporate Governance and ESG Ratings Upgrade

The Group firmly upholds its Environmental, Social and Governance (ESG) principles in corporate development. During the financial year, China Gas was included in the Hang Seng Shanghai-Shenzhen-Hong Kong (Selected Corporations) 300 Index, the Hang Seng ESG 50 Index and Hang Seng Corporate Sustainability Benchmark Index. Morgan Stanley Capital International (MSCI) also upgraded the Group's ESG rating to BBB.

On June 20, 2021, the Group signed a memorandum of understanding with the United Nations Environment Programme as the first Oil and Gas Methane Partnership member company in China, under which China Gas will closely cooperate with member companies around the world to help with methane emissions reduction and to ease global climate change.

In February 2021, the Group secured a four-year sustainability-linked loan of RMB1 billion from Sumitomo Mitsui Banking Corporation and also obtained sustainability certification from the Hong Kong Quality Assurance Agency, testifying to the Group's efforts in promoting ESG.

Consistent improvement in operation management; Sustainable free cash flow for the year turned around to HK\$768 million

During the financial year, the management continued to manage the Group's operations outstandingly, increasing net operating cash flow by 27.6% to HK\$8.28 billion, while strictly implemented optimal investment and balance development, speeding up the collection of payments, with an amount of sustainable free cash flow reaching HK\$768 million for the year.

Actively developed new projects to enlarge gas business footprint

As the pandemic came under control in Mainland China, while keeping up the fight against the pandemic, the Group also carefully made plans in advance. With the capabilities of highly efficient engineering and construction management, it sped up resumption of work and production. During the financial year, the Group secured 38 new piped gas projects and actively rallied new residential, industrial and commercial users. As at March 31, 2021, the Group secured 642 piped gas projects in 30 provinces, municipalities and autonomous regions, providing natural gas services for 40,153,824 residential users, 17,046 industrial users and 266,464 commercial users.

On April 30, 2021, the Group completed the acquisition of 49% equity in Beijing Huayou United Gas Development Co., Ltd. ("Beijing Huayou") for RMB480 million. The principal businesses of Beijing Huayou include the investment and operation of city piped natural gas, natural gas refilling stations and trading of liquefied natural gas. The natural gas projects are located in Majuqiao Town, Tongzhou District (operating regions include Beijing Economic and Technological Development Zone, part of Daxing District, as well as Majuqiao Town in Tongzhou District), Mentougou District (operating regions include the urban area of Mentougou District and Tanzhe Temple Town), Changping District and Shijingshan District in Beijing, Qihe County in Shandong Province and Suizhong County in Liaoning Province. Beijing Huayou has built 8 natural gas processing stations, 6 compressed mother stations and standard refueling stations, a high-pressure pipeline network of 43 km, a sub-high pressure pipeline network of 95 km and a medium-pressure pipeline network of 583 km. The acquisition will expand the Group's city gas project network and further expedite the Group's expansion and consolidation in natural gas market.

Value-added services continued to grow in leaps and bounds with huge room for development

During the financial year, despite the impact of the pandemic, the Group's value-added businesses continued to report a notable growth. Revenue reached a record high again to HK\$7.72 billion, a 53.6% increase year-on-year and gross profit rose by 49.5% year-on-year to HK\$2.92 billion. Operating profit was HK\$2.32 billion, representing a year-on-year increase of 45.6%.

After growing rapidly in the last six years, at rising connection rates, the Group's customer base has also expanded quickly. Currently, it provides natural gas and LPG services to more than 45 million residential, industrial and commercial users. With our well-developed user network, there is an enormous potential to grow the value-added services business. The Group has formulated a unique top-down design to specify the direction for the future development of value-added services, with "creating a unique 'grid-type private retail' model and becoming China's leading integrated service platform for kitchen scenario and ecology" as the long-term vision, "establishing a trustful relationship with users and becoming a 'one-stop' kitchen manager for consumers" as the value proposition, and "providing B2C worry-free services from the sale, installation, safety inspection to the maintenance of kitchen products" as business model. It will continue to drive the fast development of the business. During the year, the Group sold 1,740,000 units of "Gasbo" brand wall-mounted gas heaters and kitchen boiling appliances, making it a leading manufacturer and distributor of wall-mounted gas heaters and kitchen boiling appliances in China. The penetration rate of the major value-added products among the overall users of the Group was approximately 6% only, so there was a huge room for future development.

LPG Smart MicroGrid Becomes the New Business Driver

Responding to China's rural revitalization strategy and in support to the "Battle for Defending the blue sky", in 2013, the Group commenced the research and development of the LPG Smart MicroGrid, a piped gas supply system exclusively developed by China Gas. It operates on an asset-light business model and is suitable for the provision of gas to rural areas in China, targets to provide centralized piped gas to small communities and townships across the country. As China's largest LPG operator with vertical integration of upstream, midstream and downstream, it is able to integrate its own

resources to the greatest extent, enabling its industrial network to quickly serve its new Smart MicroGrid business.

The Group kicked off a marketing campaign for its Smart MicroGrid business in mid-2020 and has since entered into provincial-level strategic agreements with Qinghai Province, Hainan Province, Yunnan Province and Guangdong Province, 15 prefecture-level cities in Hubei Province, Hunan Province and Anhui Province and 26 counties in Fujian Province, Jiangsu Province and Zhejiang Province. At present, it has more than 2 million contracted residential users and over 25 million households in the contracted areas that met the investment criteria. As the number of contracted regions and users continue to increase, design and construction of the pipeline network will continue to accelerate. The Smart MicroGrid business has become a new growth driver of the Group for achieving sustainable development in the future. With also the central government's "No. 1 Central Document" supporting gas use in rural areas, the Smart MicroGrid business has enormous market potential.

Vigorously Developing Green Alternative Energy - Photovoltaic Applications and Green Hydrogen New Energy Businesses

Hailed as the "ultimate energy source in the 21st century", hydrogen energy is currently deemed the most ideal energy carrier and clean energy. With green and low-carbon transformation in the global context, the development of hydrogen energy is in line with China's major strategy of "Carbon Peak, Carbon Neutral". Being also conducive to solving energy security issues, hydrogen energy is an important medium of the energy revolution in China. In addition, the white paper "Energy in China's New Era" released by the State Council Information Office of the People's Republic of China on December 21 last year clearly stated the industrial requirements and development direction of accelerating the development of hydrogen energy industrial chain technologies and equipment including hydrogen energy production, storage, transportation and application.

To actively respond to the national policy guidance, this April, the Group signed a strategic cooperation framework agreement with CNOOC Gas and Power Group Co., Limited ("CNOOC Gas and Power Group"), and in June, a strategic cooperation agreement with LONGi Green Energy Technology Co., Ltd. ("LONGi Group"), a world-leading photovoltaic company. Pursuant to the first agreement, China Gas and CNOOC Gas and Power Group will commit to drawing on their respective expertise and cooperating on projects including skid-mounted natural gas hydrogen production system and construction of hydrogen refueling stations. As for the second partnership, China Gas will cooperate with LONGi Group in areas of distributed photovoltaic, building-integrated photovoltaics ("BIPV"), rural revitalization, energy storage and electric vehicle charging, green hydrogen and its applications and other new energy system solutions. They will jointly explore opportunities in the mainland China market while facilitating the growth of the domestic economy.

Lay Out New Market - Urban Distributed Heating

With the rapid development of China's economy for more than 30 years, Chinese citizens' income level and their requirements for quality of life have greatly improved. There is a vast demand for winter heating in southern regions such as those along the Yangtze River. To meet the rigid demand in this affluent market, the Group has adopted new technologies to vigorously develop a new urban distributed heating solution, the Urban Distributed Heating Project, with centralized heating in individual districts

that does not require destructive digging with existing roads. It will not affect urban planning and social order and can reduce heat loss and improve the efficiency of heating supply. Compared with heating supply for individual households, urban distributed heating does a better job in conserving energy and protecting the environment.

The Group targets to supply urban distributed heating to markets along the Yangtze River Economic Belt, including Sichuan, Chongqing, Hubei, Hunan, Anhui, Jiangxi, Zhejiang, Jiangsu and Shanghai. The seven provinces and two municipalities have a total population of about 600 million and GDP of over RMB 40 trillion, accounting for more than 44% the total GDP of China. The Yangtze River Economic Belt is one of the regions with the most developed economy, has the strongest integrated capabilities and biggest growth potential in China. The urban floor areas with heating demand in the abovementioned regions are estimated at 4 billion square meters, and the entire southern regions heating market will undoubtedly be a huge new market.

Healthy Financial Position

As at 31 March 2021, the Group's total assets and bank balance and cash amounted to HK\$140.72 billion and HK\$8.57 billion, respectively. Its net gearing ratio was 65%. As of the end of May this year, the net gearing ratio further reduced to 38%, which was in a very healthy level. The Group has been actively building long-term cooperative relations with Chinese (including Hong Kong) and overseas banks. The Group has principle partnering banks in China Development Bank, the Industrial and Commercial Bank of China, Bank of Communications and the Agricultural Bank of China, which altogether have provided long-term credit facilities of a maximum term of 15 years to the Group. Also, over 20 banks offered syndicated loans and standby credit facilities to the Group for funding operations and investing in projects.

Industry Development and Prospects

2021 is the first year of the "14th Five-Year Plan" period and also the year of which the Chinese government kicked off her initiative to "peaking carbon emission by 2030 and carbon neutrality by 2060". In February this year, China Gas' pioneering "Smart MicroGrid" officially set the national industry standard, reflective of the great recognition earned from the State and policymakers. The No.1 Central Document clearly stated the mission of "promoting gas use in rural areas, and supporting construction of safe and reliable gas storage tank stations and micro grid gas supply systems in rural areas", providing strong support to the Group in developing the Smart MicroGrid business. Looking ahead, the Group will leverage on the country's environmental protection and industry policies to actively realize its market and management advantages and continue to implement its "value chain extension" strategy to seize opportunities in the nationwide "coal to gas conversion" market and township gas market. In addition, the Group will vigorously promote three new businesses, namely the Smart MicroGrid, the Urban Distributed Heating and community-based vertical e-commerce. It will continue to strengthen comprehensive planning in the new energy arena and innovative energy technologies development, as well as strongly execute digital transformation strategy to realize its "Cloud-based China Gas, Digitalized China Gas, Smart China Gas" vision. On the strong foundation of its city gas business, the Group will focus on the development trend of high-tech industries and achieve digital transformation through the use of technologies like Big Data, Artificial Intelligence and Industrial Internet-of-Things, actively facilitate green energy development.

Looking ahead at the new financial year, the Group will push forward the execution of corporate social responsibility management by leveraging on favorable national policies to speed up the reform, innovation and development of clean energy, improve its core competitiveness and sustainable development capabilities, consequently striving to become a world-leading urban integrated energy service provider who embraces green and sustainable development.

Mr. Liu Ming Hui, Chairman, Managing Director and President of the Group, said, "In the past year, we have sped up our pace in 'deepening reform and high-quality development'. This has allowed us to not only achieve outstanding performance in engineering, technology, operation, financial results and expanding into new markets. In addition, the Group has long attached great importance to the investment in safety and operation management, continuously improved the operation and risk management standards, built a comprehensive, integrated and digital smart energy security operation management platform, and benchmarked the world's oil and gas industry's best safety and operation management standards by means of informatization and scientific means."

"2021 is of great significance to the development of China Gas. With the implementation of favorable national policies, including the 'Carbon Neutrality, Carbon Peak', the 'No.1 Central Document', and those related to 'Smart City' and 'Beautiful Village', the development of the Group is strongly backed by policies. The Group will consolidate its existing business edges and accelerate strategy upgrade and business reform and development on that basis. We will continue to promote new businesses including the Smart MicroGrid and the Urban Distributed Heating, as well as actively develop new energy businesses with huge market potential, such as hydrogen energy. Marking its 20th anniversary next year, China Gas will press on to improving its core competitiveness, exploring opportunities for breakthrough and accelerating a healthy business growth so as to reward shareholders for their long-term trust and create greater value for society and employees."

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About China Gas

China Gas Holdings Limited ("China Gas", stock code: 384.HK) is one of the largest trans-regional comprehensive energy suppliers in China engaged in investment and construction, operation and management, warehousing and logistics, trading and distribution businesses of various gas and new energy projects. The Group, with piped natural gas as major business, has managed to build a comprehensive scope of business that includes liquefied natural gas, compressed natural gas, liquefied petroleum gas, natural gas thermoelectricity, distributed energy, energy management, value-added service, equipment manufacturing, etc. China Gas owns a total of 642 projects in cities and towns with piped gas concession rights (153 million connectable population covered by all gas projects), 32 natural gas pipeline transmission projects, 557 CNG/LNG refilling stations for vehicles and vessels, 364 comprehensive energy supply projects, as well as the license to import and export LNG and other fuel products in China, in addition to 113 LPG distribution projects.

For more information, visit www.chinagasholdings.com.hk

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