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CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

VOLUNTARY ANNOUNCEMENT

ENTERING INTO STRATEGIC COOPERATION AGREEMENT WITH HUAXIN GAS GROUP CO., LTD.

This is a voluntary announcement made by China Gas Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”).

The board of directors (the “**Board**”) of the Company is pleased to announce that, on 10 June 2021, the Company and Huaxin Gas Group Co., Ltd.* (華新燃氣集團有限公司) (“**Huaxin Gas**”) entered into a strategic cooperation agreement (the “**Strategic Cooperation Agreement**”).

Based on the principle of “complementary advantages, voluntary mutual respect, cooperation for win-win situation”, the Group will leverage its competitive edges as the largest clean energy service provider in China and Huaxin Gas as the leading gas enterprise in Shanxi to optimize the energy supply and consumption structure, as well as to promote the reduction and substitution of coal consumption in Shanxi, which will accelerate the development of Shanxi’s gas business.

Pursuant to the Strategic Cooperation Agreement, the Company and Huaxin Gas have agreed to cooperate in the following aspects:

1. SUPPORT COAL-TO-GAS REPLACEMENT PROJECTS AND AIR POLLUTION CONTROL

Huaxin Gas will support the Group’s involvement in the air pollution control works and coal-to-gas replacement projects throughout the province, whereby, Huaxin Gas will actively coordinate the gas supply for the coal-to-gas replacement projects of the Group and will actively address to the relevant government departments’ initiatives by gradually incorporating the Group’s current gas pipeline network and gas terminal projects into the scope of work under the “bulk coal replacement” and “clean heating” projects.

2. INCREASE INVESTMENT TO EXPAND THE SCALE OF CITY GAS COMPANIES AND ACCELERATE THE PROMOTION AND USE OF GAS

- (i) The existing joint venture company of both parties (of which the Group owns 51% equity interest) will continue the development of projects in Shanxi province, including rural coal-to-gas replacement, gas power generation, electricity sales, distributed energy, LPG sales and development and operation of gas filling stations. This can cover the unexplored city gas markets within the province and facilitate safe operation management and provision of quality service.
- (ii) Both parties will give priority to due diligence check on companies, operating within the joint development areas, as well as to explore possible collaboration channels and methods that serve to accelerate the promotion and utilization of gas within the joint development areas, to achieve complementary advantages and resources optimization, giving full play to the best positions taken by both parties.
- (iii) Projects currently undertaken by both parties within the Shanxi regions will be incorporated into the joint venture companies.

3. FACILITATE THE BUILDING OF SUPPLY, STORAGE AND DISTRIBUTION SYSTEM OF COAL-DERIVED GAS AND NATURAL GAS IN SHANXI PROVINCE

- (i) By leveraging the development edges of Huaxin Gas's coal-derived gas projects in the upstream sectors, together with the Group's consumption capacity and scale advantages in the natural gas downstream markets in China, both parties seek to increase the consumption and utilization level of coal-derived gas and natural gas in Shanxi province and actively promote gas exports to regions outside of Shanxi province, as well as to establish companies in line with business development in a timely manner.
- (ii) Huaxin Gas supports the Company's participation in the investment and construction of gas storage and peak shaving facilities that meet the gas sales capacity so as to level out peak-load consumption during the peak and off-peak seasons and raise gas supply for coal-derived gas and natural gas in Shanxi.

INFORMATION ABOUT HUAXIN GAS

In September 2020, upon approval granted by the Shanxi Provincial Government, Huaxin Gas was established as a wholly state-owned enterprise, after the reorganisation undertaken by Shanxi Guoxin Energy Development Group Co., Ltd.* (山西省國新能源發展集團有限公司), Shanxi Gas Group Co., Ltd.* (山西燃氣集團有限公司) and Shanxi International Energy Group Gasification Investment Management Co., Ltd.* (山西國際能源集團氣化投資管理有限公司), with a registered capital of RMB8 billion. Huaxin Gas, served as the largest integrated gas enterprise in the province, is principally engaged in the whole-industry-chain operation, including exploration and development, resource storage and transportation, comprehensive utilization, equipment manufacturing and technological innovation in the gas industry, as well as the provision of gas-related public services covering the

entire province. In terms of exploitation work in the upstream sectors, Huaxin Gas owns the largest reserve of coalbed methane wells in China, in which, a total of more than 6,000 wells are under operation, accounting for approximately one-third of the total number of wells in China. Meanwhile, 19 liquefaction plants have been built, with total liquefaction capacity amounted to 9 million cubic metres per day. In terms of gas transmission and distribution network, Huaxin Gas has long-distance gas pipelines with pipe length stretched over more than 6,500 kilometres, accounting for 95% of the total mileage of the provincial pipeline network, with gas transmission capacity reaches 30 billion cubic metres per annum. In terms of downstream markets, Huaxin Gas has built a city gas pipeline network stretching over 10,000 kilometres, supplying gas for 11 prefecture-level cities in the province.

REASONS AND BENEFITS FOR ENTERING INTO THE STRATEGIC COOPERATION AGREEMENT

The Group believes that entering into the Strategic Cooperation Agreement will promote the Group's expansion in the gas downstream markets in Shanxi province, as well as to safeguard an adequate piped gas supply. Meanwhile, both parties will leverage their own advantages in their respective fields, which, in turn, help promote the "gas for coal" replacement projects that serve residential, industrial and commercial users across the cities, towns and villages, and contribute to the mutual growth and development of the gas industry in Shanxi province for both parties. The Group will continue to promote the extensive use of gas in China, and strive to achieve the national objectives of "carbon neutrality" and "reduced carbon emission", which will help maximise the corporate and social benefits and create greater value for our shareholders.

Shareholders and potential investors are advised to exercise caution in dealing in the shares of the Company.

By the order of the Board
China Gas Holdings Limited
LIU Ming Hui

Chairman, Managing Director and President

Hong Kong, 10 June 2021

As at the date of this announcement, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Ms. LI Ching and Ms. LIU Chang are the executive directors of the Company; Mr. LIU Mingxing, Mr. JIANG Xinhao and Mr. Mahesh Vishwanathan IYER are the non-executive directors of the Company; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. CHEN Yanyan and Mr. ZHANG Ling are the independent non-executive directors of the Company.

* *For identification purpose only*