Sino Gas & Energy Holdings Limited
ACN 124 242 422
Sino Gas & Energy Limited
ACN 115 316 599

China Office:
Suite 335, 3rd Floor, Office Tower A2
Lido Place, 6 Jiang Tai Road
Chaoyang District, Beijing, China 100004

Australian Office:
311-313 Hay Street
Subiaco, Western Australia

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SIGNIFICANT NEW CHINA INITIATIVES SUPPORT SINO GAS'S DRIVE FOR EARLY GAS PRODUCTION AND DEVELOPMENT APPROVALS

- Sino Gas's projects included in the 12th Five-Year Plan for CBM
- China pricing reform mechanism links domestic gas prices to import prices
- Pipeline commissioning within Sino Gas's acreage
- MOC approval of Linxing PSC exploration period extension

Sino Gas & Energy Holdings Ltd (Sino Gas, ASX:SEH) advises that the Chinese Government has recently announced several key initiatives to accelerate the development of the domestic CBM industry to reduce supply constraints in the face of strong demand growth from local industry. Sino Gas believes these initiatives signal a very positive regulatory and commercial environment for the development of the Company's projects.

Sino Gas's projects included in the 12th Five-Year Plan for CBM

On 31 December 2011, the National Development and Reform Commission (NDRC) released the 12th Five-Year Plan for the Development and Utilization of Coalbed Methane (12-5 Plan).

Sino Gas's PSCs have been listed in the 12-5 Plan as key projects for which development shall be accelerated. The inclusion of Sino Gas's projects is significant, as it should provide the setting for stronger coordination between central and local government as the Company looks to implement its development plans.

The 12-5 Plan announced by Mr Wei Pengyuan, Deputy Director of the National Energy Administration of NDRC (NEA), is designed to boost the development of unconventional resources and reduce carbon emissions through a significant focus on increasing CBM production.

Specific initiatives include a focus on the eastern fringe of the Ordos Basin (where Sino Gas's Linxing and Sanjiaobei PSCs are located), the building of new pipelines and increases to the CBM subsidy (refer below).

Gas Pricing Reform and possible increases to CBM production subsidies in China

On 27 December 2011, NDRC published a new natural gas pricing mechanism that provides a clear link between domestically produced gas prices and imported gas and oil prices, rather than to coal. In addition, as part of the 12-5 Plan, the NEA is planning to essentially double the CBM production subsidy from current levels of ~ US$1/Mscf to US$2/Mscf.

Against current gas prices of around US$7.5/Mscf, some commentators are describing the gas reforms as a game changer and are expecting wellhead prices to escalate to around US$10/Mscf over the period of the 12-5 Plan (2011 to 2015).
The implementation timetable and specific impact for Shanxi province, where Sino Gas operates, is still to be determined, however this and the initiatives contained in the 12th Five-Year Plan are expected to underpin the domestic gas industry and the profitability of the Company's projects.

CBM Pipeline commissioning

In late December 2011, Shanxi International Electricity Group, a Shanxi Province utility, announced that it had begun pre-commission checks on a dedicated CBM pipeline.

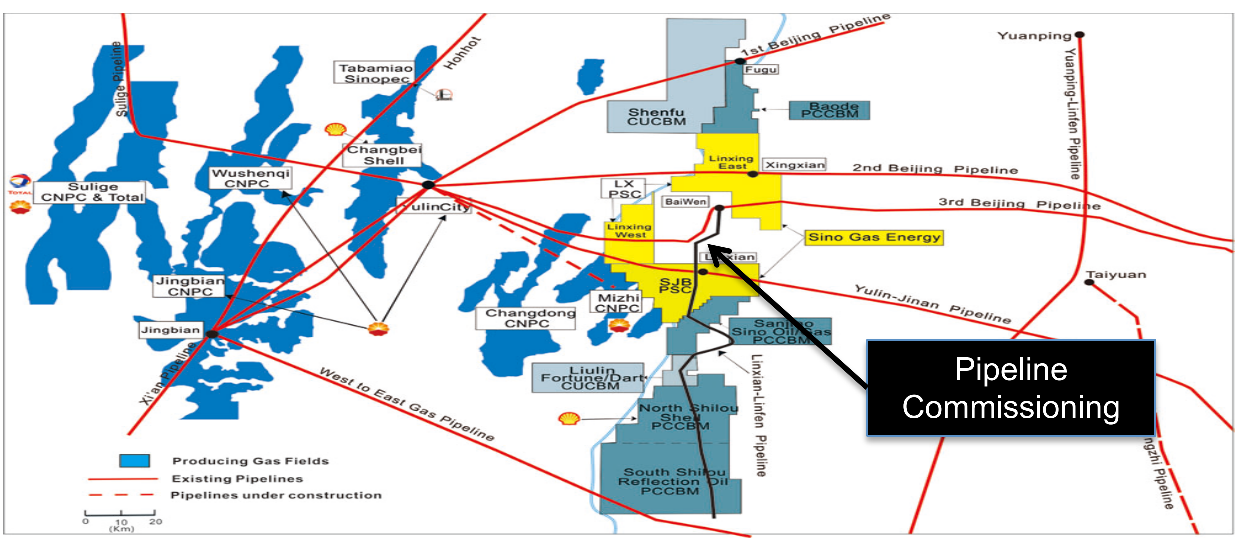
The pipeline (as shown below) connects directly between Sino Gas's Linxing and Sanjiaobei Projects and key markets on the western edge of Shanxi Province.

Sino Gas Executive Chairman, Mr Gavin Harper, commented that "Sino Gas is on course to complete the drive towards development of these highly valuable projects, and to rapidly move towards early gas production followed by full commercial production. The exploration period extension on the Linxing PSC (refer below) allows us to now move toward formal development approval.

We note that Asian American Gas, which is working the Panzhuang Project in Shanxi province recently received Government approval for its ODP and we understand that this is the first Sino foreign CBM ODP to be approved in China.

We believe that the new five year CBM plan, the development of local infrastructure, the CBM pricing mechanisms and the recent ODP approval demonstrate the strong Chinese government support for the domestic CBM sector at a time when Sino Gas moves to bring both the Sanjiaobei and Linxing projects on to commercial production.

The Chinese Government has embraced the development of its unconventional gas resources as a major part of its energy strategy and Sino Gas is well placed to benefit from these policy initiatives", Mr Harper said.



China's Ordos Basin - Sino Gas's assets shown in yellow

MOC approval of Linxing PSC exploration period extension

Sino Gas advises that it has received formal Ministry of Commerce (MOC) approval for the extension of the Linxing Production Sharing Contract (PSC) exploration period to 31 August 2013.

This approval clears the way for Sino Gas to move ahead with critical activities for the development of Linxing, including:

- Targeting first gas production from mid 2012 commencing with the most productive wells already discovered. Gas production is expected to be cashflow positive during 2012 and provide valuable pre-development information;
- Preparation of the Chinese Reserves Report for the shallow CBM resources in the Eastern portion of Linxing (assessed by NSAI in 2008 as containing 324 Bcf mid case contingent plus prospective resources);
- Additional wells and seismic to support preparation of Chinese Reserves Report for the deeper CBM resources in the Western portion of Linxing (assessed by RISC in Feb 2011 as being 1.42 Tcf mid case reserves plus contingent and prospective resources). A further update on these resources will be released shortly.

Research report highlights completion of 2011 in-field appraisal program

Patersons Securities has published an updated research report on Sino Gas following the completion of the 2011 in-field appraisal program. The report can be accessed at the Company's web site www.sinogasenergy.com under Investors/Research.

ENDS

For more information, please contact:

Sino Gas & Energy

Stephen Lyons: Managing Director,
+86 139 1148 1669, +86 10 6530 9260,
slyons@sinogasenergy.com

Gavin Harper: Executive Chairman,
+61 416 427 275
gharper@sinogasenergy.com

Investor Relations - Australia

Ronn Bechler, + 61 400 009 774
ronn.bechler@marketeye.com.au

Investor Relations – Hong Kong
Anita Wan, +852 2217 2687
anita.wan@quamgroup.com

About Sino Gas & Energy Holdings Limited
Sino Gas & Energy Holdings Limited (ASX: SEH) is an Australian energy company focused on developing Chinese unconventional gas assets. The Company has operated in Beijing since 2005 and holds a portfolio of unconventional gas assets in China through Production Sharing Contracts (PSC's).

The PSC's are located in Shanxi province in the Ordos Basin and cover an area of 3,000km^2. The Ordos Basin is the second largest onshore oil and gas producing basin in China. The area has mature field developments with an established pipeline infrastructure to major markets. Rapid economic development is being experienced in the provinces in which Sino Gas's PSC's are located and natural gas is seen as a key component of clean energy supply in China.

On Sino Gas's Projects, 11 wells have been drilled, the latest being SJB2 during November 2011. Extensive seismic and other subsurface studies have also been conducted. Multiple wells have been flow tested with commercial flow rates achieved on many of the wells, including significant commercial rates on its TB07, TB08, TB09 and TB04 wells. The gas flow rates in this release are estimated at 200 psi Flowing Tubing Head Pressure (THP) unless otherwise noted.

The statements of resources in this Release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems (SPE PRMS) standards by internationally recognized oil and gas consultants RISC Pty Ltd. All resource figures quoted are mid case - 100%.

Additional information on Sino Gas can be found at www.sinogasenergy.com