

Letter to Shareholders

from Sino Gas & Energy Holdings Chairman, Philip Bainbridge

About Sino Gas & Energy

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing Chinese unconventional gas assets. Sino Gas holds a 49% interest in Sino Gas & Energy Limited ("SGE") through a strategic partnership completed with MIE Holdings Corporation ("MIE" SEHK: 1555) in July 2012. SGE has been established in Beijing since 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (PSCs) in the Ordos Basin, Shanxi province.

SGE's interest in the Linxing PSC with CUCBM is 64.75% and 49% for the Sanjiaobei PSC held with PCCBM. SGE has a 100% working interest during the exploration phase of the PSC, with SGE's PSC partners being entitled to back-in upon Overall Development Plan (ODP) approval, by contributing development and operating costs in line with their PSC interest.

The PSCs are located in the Ordos Basin and cover an area of approximately 3,000km². The Ordos Basin is the second largest onshore oil and gas producing basin in China. The region 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' PSCs are located and natural gas is seen as a key component of clean energy supply in China.

Sino Gas & Energy Holdings Limited (ASX: SEH) was admitted to the Official List of ASX in 2009.



Phil Bainbridge, Chairman

Dear Shareholder

On 1st December 2014, we announced that we had achieved first gas sales from our pilot production program. This is a major achievement and milestone in the history of Sino Gas and Energy Holdings Limited (Sino Gas) and is a great credit to all concerned. It was also very pleasing that this was achieved with an outstanding safety and environmental performance by the project team.

With production having now commenced from Sanjiaobei and Linxing wells through the Sanjiaobei facility, it is our aim to continue to ramp-up gas production from the existing facilities and bring the larger Linxing facility on-line in mid 2015. This will tie in the remaining Linxing wells including TB-1H, our very successful horizontal well that was drilled and tested in 2014. At this time, we expect to be ramping up to 25mmscf/d and planning the next phase of production facility expansions.

As we are all aware, the decline in oil price has had a major impact on share prices right across the global energy sector. Sino Gas has minimal direct exposure to the oil price. This, together with our strong liquidity, means we are well positioned to manage this current issue.

I am delighted to be given the opportunity to be Chairman of Sino Gas at this exciting time in its history and look forward to working on behalf of shareholders in the future. I would like to thank Gavin Harper for his time as Chairman, together with all those who have brought the Company to the position it is today.

As we approach the end of 2014, it is timely to briefly reflect on a number of additional significant events from the year:

~ The Chinese gas market and more specifically, the desire for greater domestic gas production continues to be positive. Very recently, China unveiled the Energy Development Strategy Action Plan to 2020 with the key points being:

- encouraging a more diversified energy mix and reduce reliance on foreign supply
- boosting energy self-sufficiency to 85%
- increasing natural gas from 5 to 10% in the energy mix
- reducing the reliance on coal by capping usage in the energy mix from 66% to 62%
- establishing 8 new natural gas hubs capable of producing 10bcm per annum each
- producing 30bcm per annum from unconventional gas sources

~ To support these policies the Chinese Government has increased natural gas prices this year; we have seen an increase to US\$9.5/mscf in the case of the Sanjiaobei facility.

~ The Sino Gas and Energy Limited (SGE) operations team have made great improvements in their drilling, fracing and well testing practices and we have seen a significant increase in our single well deliverability over the year with flow rates consistently above 700mscf/d.

LETTER TO SHAREHOLDERS

During the year, we drilled 15 exploration wells in both the Linxing and Sanjiaobei PSCs with all these wells successfully discovering gas - of particular mention is the LDGW-03 well in Linxing East which intersected over 80 metres of net pay. We believe all these wells will have a positive impact on the 2014 reserves and resource maturation assessment.

We were granted approval of our first Chinese Reserves Report over Linxing East.

We entered into a financing facility with Macquarie Bank, which completed on 29th August. This was a positive endorsement of our assets and business plan and also provided, together with our existing cash and gas revenue, strong liquidity, enabling us to fund our 2015 program.

We have completed a seamless changeover of Chief Executive Officer and Chairman and are now well positioned to grow the Company. The Board is pleased with Glenn Corrie's appointment and his performance to date and as a result, have recently elected him to join the Board of Sino Gas (SEH) as Managing Director effective 1st January 2015.

We have developed a strong share register with a positive mix of major institutional and retail investors.



Commissioning of the Sanjiaobei Gathering Station

As we look forward to 2015, we are planning, and will strive to:

Continue to grow production from our existing assets through the pilot production scheme.

Further mature our reserve and resource base as a result of the 2014 exploration program and results from the pilot production project. The new independent reserves audit is due to be completed during the first quarter of 2015.

Develop and implement plans for the full field development of both PSCs, using all appropriate technologies so that we can maximize the value of these assets through rapid production growth and cash generation.

Submit Chinese Reserve Reports for Linxing and Sanjiaobei in the near future so that the process of the Overall Development Plan (ODP) can commence. We are seeking to start the ODP process by the third quarter of 2015.

Close the value gap between our current share price and that which we feel properly reflects the value of the company's underlying reserves and resources based on industry metrics. This was outlined in our recent investor presentation, which was released on 12th November. We believe that now we are on production, additional investors will consider buying our shares and existing investors will have more confidence in our ability to deliver business results.

Continue to build positive relationships with our partners, governments, communities and our shareholders.



Installation and connection of compressors on the Linxing central gathering station

The Board and Management of Sino Gas and Energy Holdings Limited would like to thank you for your support during this last year and we hope that we can continue to earn your continued support as we strive to grow the business in 2015.

Have a very happy festive season and a prosperous and safe New Year.

Yours sincerely,

Sino Gas & Energy Holdings Limited

A handwritten signature in blue ink, appearing to read 'P. Bainbridge'.

Phil Bainbridge

Chairman 17 December 2014