

CHAIRMAN'S STATEMENT



I am pleased to announce that Sinolink Worldwide Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded remarkable results for the year ended 31 December 2001.

MARKET ENVIRONMENT

During the year, in spite of the volatilities in the global political and economic environments, the People's Republic of China ("PRC") has persisted with the policy of expanding its domestic demand and has adopted concrete fiscal and monetary measures to accelerate its economic restructuring. By actively and firmly carrying out various reforms, continuously opening up the economy, and rigorously rectifying and standardising its market economy, the PRC has been able to achieve continuous improvements in its economic development both in terms of quality and quantity. Market prices have remained stable; employment is increasing; the foreign accounts stand at favourable levels; and exchange rates remain stable. The living standards of the PRC people continue to increase in a healthy manner.

According to statistics, the PRC's Gross Domestic Product ("GDP") amounted to RMB9,593.3 billion in 2001, a growth of 7.3% compared with the previous year, whereas Shenzhen's GDP grew by 13.2% to RMB190.8 billion. The living standards in both urban and rural areas continued to improve. In cities and towns, the average per capita disposable income increased by 8.5% to RMB6,860, whereas in Shenzhen this grew by 8.9% to RMB235,44 million. Housing development continued to grow. Residential floor area completed in cities and towns, and in rural areas, amounted to 5,400,000,000 square metres and 7,400,000,000 square metres respectively, whereas in Shenzhen this grew by 18.4% to 7,700,000 square metres.

Developing on the favourable trend in 2000, the PRC real estate sector continued to enjoy solid growth in 2001. Major efficiency benchmarks such as profit after tax, cash flow, labour demand and fixed asset investment all show that the sector is staying ahead of other industries, which give evidence that the sector is moving on the right track.

During the year, the western region of the PRC continued to record a higher growth rate in investment compared to those of the eastern and central regions. The amount grew by 19.3% to RMB470.4 billion year-on-year, while those of the eastern and central regions grew by 13.3% to RMB1,588.3 billion and by 16.3% to RMB631.6 billion respectively. Major projects such as the Qinghai-Tibet Railway and the "East to West Gas Pipelines Project" have commenced.

With the PRC's adoption of policies to sustain its economic development and to protect the environment, and the launch of major projects such as the East to West Gas Pipelines Project, these have provided a new driving force for the development of the city gas fuel sector in the PRC.

SIGNIFICANT EVENTS

Under the favourable market environment resulted from the PRC's rapid economic growth and rising national income, the Group achieved a strong growth in operating results as well as major breakthroughs in business development. These breakthroughs can be summarised as follows:

Spin-off of Panva Gas

Panva Gas Holdings Limited ("Panva Gas") is principally engaged in the investment, development and operation of gas fuel business in the eastern, central and southwestern regions of the PRC, including the wholesale and retail sale of Liquefied Petroleum Gas ("LP Gas") in bulk and in cylinders, the provision of piped LP Gas and natural gas, and the construction and operation of gas pipelines.



Panva Gas was previously a wholly-owned subsidiary of the Company. In view of the strong growth of its business and the increasing sophistication of its management, the Company made dedicated efforts and successfully spun-off of Panva Gas on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 20 April 2001. The separate listing of Panva Gas helped strengthen the Group's financial position and corporate image. It also generated more opportunities for the Group to further increase its market share in the gas fuel market, particularly in the piped gas market. The share price of Panva Gas has increased by 6-fold since its listing. This can be attributed to the strong support of investors who endorse the business model of Panva Gas, the significant profit growth of Panva Gas (which grew 37 times to HK\$31,700,000), and the expectation of investors towards the prospects of Panva Gas.

Successful Bid for the Best Land Lot in Shenzhen

The public auction of three land lots in Mangrove Bay reclamation zone, held in Shenzhen on 6 December 2001, might still be a most talked-about event this year in the property sectors of Shenzhen and the PRC. The three are renowned as the top quality land lots in Shenzhen. Among them, the best one is the 75,101.8 square metre land, which the Group has successfully won the bid for a consideration of RMB780,000,000. This fully reflects the Group's solid operations and competitive strengths.

The project has been named Mangrove West Coast (紅樹西岸) and is poised to gain favourable response from the market given its unique views. The Group believes that the success in bidding for the land not only will bring substantial profits for the Group but has also further strengthened the corporate standing of the "Sinolink" brand in both the PRC and abroad. The project is now at the stage of preparing the development plan. Construction is expected to commence in 2002, to be completed before December 2004.

Expansion of Fuhuade

In view of the strong electricity demand in Shenzhen and the state policy on electricity generation, the Group has carried out a major technological reform scheme for the generator units of Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade") in order to seek further growth for the business. The reform scheme involves the replacement of the existing generators by a combined cycle gas turbine generator unit which, equipped with advanced technological features, a significantly higher output capacity and substantially less fuel consumption, will be able to generate promising benefits. The new generator unit can use either heavy diesel fuel or natural gas as fuel, which paves the way for Fuhuade to increase its economy-of-scale benefits and eventually switch to natural gas as its primary fuel.

The scheme has received approval by the Shenzhen government and has commenced during the year under review. Based on the approval, Fuhuade will increase its electricity generation capacity by 303% to 285 megawatts from the current level of 70.8 megawatts.

Acquisition of SilverNet

Subsequent to the year under review, the Group has entered into a sale and purchase agreement with Silver Grant International Industries Limited ("Silver Grant") to acquire a 29.99% interest in SilverNet Group Limited ("SilverNet"), a company listed in Hong Kong (stock code: 622) for a consideration of approximately HK\$163 million. Upon the completion of the acquisition, the Group will replace Silver Grant as the major shareholder of SilverNet. Under the agreement, the Group will pay HK\$81 million in cash with the balance of the consideration to be satisfied by the issue of a 2-year convertible note. In addition, SilverNet will acquire a 70% interest in Fuhuade from the Group for a consideration of HK\$360.4 million, of which HK\$163.4 million will be satisfied by cash and the balance will be treated as secured loans to be repaid in instalments.

Through these arrangements, the Group will become the largest shareholder of SilverNet by injecting the interest in Fuhuade without net cash outflow. The transactions will enable the Group to have a more clearly defined corporate structure, with the Company focusing on property development and investment holding, SilverNet focusing on electricity supply, and Panva Gas focusing on gas fuel business. This not only will benefit the operations and capital employment of the businesses but will also maximise the Group's shareholder value.



PROSPECTS

Proactive Development Strategies

With the PRC's entry into the World Trade Organisation ("WTO") and its rapidly growing economy, we expect more opportunities to emerge in 2002 that favour the Group's business developments. It is particularly the case now that the corporate restructuring of the Group has resulted in three separately listed companies that are more focused on their individual businesses.

The Group's business development in 2001 has clearly shown that the Group is moving from a relatively conservative approach in investment and development towards the adoption of more proactive development strategies. Looking ahead, we will continue to adopt this approach to actively expand our market and to seek for more development opportunities. We will make use of different means to continue expanding and improving our assets in order to bring higher returns for shareholders.

Property Development

Property development will remain as the Group's core business. The Group is highly optimistic about the prospects of the Shenzhen real estate market and will continue to make Shenzhen as a primary city for our property development business. Based on our experience, there is small interrelation between the property price fluctuations in different PRC cities. As the earliest developed special economic zone of the PRC, Shenzhen has formulated a comprehensive set of laws and regulations. In addition, its proximity to Hong Kong give Shenzhen unrivalled advantages over other PRC cities.

Given the narrowing social difference between Shenzhen and Hong Kong and the imminent adoption of the 24-hour border crossing arrangements (we take the bold expectation that the Shenzhen-Hong Kong border will be fully open up within five years), more Hong Kong people are expected to buy properties in Shenzhen. Hence the Shenzhen real estate market will enjoy bright prospects. This favourable environment, and the established brand name and rich experience of the Group in the Shenzhen property sector, make solid foundations for the Group to further expand its property development business in Shenzhen. (We expect to sell 68,000 square metres of residential units this year, which represents a 20% growth over 2001.) For those investors who hold an optimistic view towards the Shenzhen real estate market, the Group's properties would undoubtedly be their first choices.

Under the appropriate circumstances, the Group will consider investing small amounts of capital in other PRC cities to maximise its growth. Meanwhile, the Group will further strengthen its foundations for the long-term development of its property business by increasing its land bank beyond the Group's needs in the next five years through tenders, acquisitions and mergers or other means.

With the PRC's entry to the WTO, a growing number of domestic and foreign companies are entering into the PRC real estate market, which will inevitably lead to more intense competition. This might bring a consolidation to the Shenzhen property sector where a number of super giant property companies might emerge. In 2002, with the growing emphasis on capital and skilled labour and increasing standardisation in the Shenzhen real estate sector, the era has come that property developers in Shenzhen will be polarised. New generation property developers and those well established with strengths will hold dominant positions in the market.

Facing this challenging development, the Group will further capitalise on its competitive advantages and strengths to launch high quality properties with sophisticated features, such as the Sinolink No. 8 and Mandarin House, and accelerate the planning and preparations for the development of Landscape City (山水城) and Mangrove West Coast (紅樹西岸). The Group will focus on seizing the upcoming opportunities by actively acquiring additional quality land and strengthening and expanding the "Sinolink" brand name. In due course, the Group will systematically expand its property business to other cities with potentials beyond Shenzhen.

Electricity Supply

According to the relevant policies recently announced by the PRC state, great strides will be made to reform the electricity sector. Electricity generation and electricity supply networks will be managed by separate entities, while restructuring will be applied to enterprises in both streams. The electricity generation companies will have to compete in price in order to gain access to the networks. Rules and regulations as well as regulatory bodies governing the electricity sector will be introduced. The primary objectives are to establish a competitive and open environment for the sector, to adopt a new electricity pricing system, and to set up acceptable standards on the pollution caused by electricity plants in order to make it a clean industry for the protection of the environment.

Essentially, the reform focuses on "separation of the electricity plant from the supply network, price competition for access to networks, elimination of monopolies, and introduction of competition". The adoption of this policy will bring new development opportunities for the Group's electricity generation business. The Group will endeavour to increase its competitive strengths in order to seek new growth in the electricity sector and to seize the new opportunities arising from the new policy.

The Shenzhen government has earmarked the Longgang district in Shenzhen, where Fuhuade is situated, as a major industrial zone. Moreover, the state-approved natural gas terminal and storage facilities will be built at a distance of some 10 kilometres from Fuhuade. These will provide favourable conditions for Fuhuade to ultimately switch its fuel to natural gas. With the continuous growth in Shenzhen's electricity demand, Fuhuade has the potential to



further increase its electricity output capacity to 700,000-1,000,000 kilowatts and develop into a major electricity plant using natural gas fuel. The Group is actively preparing these plans for submission to the Shenzhen government.

The Group will closely monitor the output expansion works of the electricity supply business to ensure that the new generator unit will be on schedule for service. Subsequent to the year end, the Group has entered into an agreement with SilverNet to inject the 70% interest of Fuhuade into SilverNet. The transaction is subject to the approval of the

independent shareholders of SilverNet at the special general meeting of SilverNet to be held on 2 May 2002. In addition, the Group has reached agreement with Silver Grant to acquire 29.99% interest in SilverNet.

These two transactions represent an important step of the Group to rationalise its business structure. By developing the electricity generation business through SilverNet, the Group's business structure will be more clearly defined so that each business has a clear identity of focusing on its core sector.

Gas Fuel Business

The PRC government is actively promoting the use of clean energy, such as LP Gas and natural gas, and limiting the use of coal, wood and carbon as fuels as part of the means to reduce environmental pollution and to protect the worsening biological environment. Moreover, the continuous rise in living standards in the PRC have prompted a change in the energy consumption pattern nationwide, with more consumers switching from coal, wood and carbon fuels to clean energy such as LP Gas and natural gas.

In order to prepare for competition from around the world following the entry to WTO, the PRC central and local governments have formulated a series of new policies and measures to restructure the economy and to reform the economic systems. One of the concrete measures under the new policies is to gradually open up the public utility sector (including urban pipeline networks) so as to place the sector under market economy. This coupled with the full implementation of the "West to East Natural Gas Pipelines Project", which is set to bring a rapid growth to the gas fuel industry, will present huge opportunities for the Group to substantially expand its market. Hence, the Group has speeded up the preparation works for the development of the southwestern and eastern regions. These include project investigations, assessments and negotiations and the strengthening of related human and capital resources to ensure that the launched projects will meet the target.

On the basis of reinforcing its existing businesses, Panva Gas will continue to adopt acquisitions and mergers as the means to participate in the reform of state-owned LP Gas and natural gas companies (which operate urban pipeline networks). Panva Gas will also consider equity participation (but not less than a controlling interest). Through these means, the Group can utilise the capital of Panva Gas as well as its experience and expertise in management and restructuring, to turn the investee companies into efficient and rewarding gas fuel operators with modern corporate management. Moreover, these measures will also help Panva Gas to speed up its market development.

The Group has achieved remarkable performance during the past year. With the PRC economy growing strongly and Panva Gas's continuous adoption of proactive development strategies, it can be expected that Panva Gas will be able to contribute higher profits to the Group. We are highly confident of the prospects of our gas fuel business.

The gas fuel distribution business is entering a period of high growth. The Group will continue to focus on the enhancement of its LP Gas operations and natural gas operations, including infrastructure development, sale and distribution, transportation and storage, and related services. The Group will also participate in acquisitions and mergers to swiftly expand its market share. The continuous rise in the living standards in the PRC, and the PRC government's commitment to environmental protection and the use of green energy sources, the Group will be able to capitalise on its competitive advantages to generate higher returns to investors.

A-share Listing in the PRC

With the continuous development and enhancement in the PRC stock markets, it is increasingly likely that foreign enterprises will seek for A-share listings in the PRC. In fact, the major obstacles for foreign enterprises to seek for A-share listings have already been removed. The Group has been keeping a close eye on the policy changes concerning the PRC capital markets in order to seize the opportunities that may arise. Essentially, all of the Group's businesses - property development, electricity supply and gas fuel business - are now ready for A-share listings in the PRC, and the Group has been actively making preparations in this regard.

The fund-raising costs in the PRC are lower than those in Hong Kong and abroad. As such, the Group believes that the success of an A-share listing in the PRC will provide another financing channel for the Group's businesses, which will be beneficial to the Group's long-term development and in the interest of its shareholders.

Higher Corporate Transparency

The Group will endeavour to further increase its corporate transparency so that shareholders and investors can have a better and clearer understanding of the Group's development goals, business plans and project progress, particularly those that are related to the Group's finance. We plan to adopt various effective means to enhance the dialogues and contacts between our management and the investors.

Human Resources Development

High calibre staff is one of the most essential factors for the Group to ensure the continuous growth of its businesses. The Group will continue to make improvements to its human resources development programme in the areas of recruitment, deployment, management and training of staff, and the enhancement of incentives for its staff. Aimed at achieving a scientific and effective system, the improvements are also related to the introduction of a better mechanism for promoting healthy competition among staff and for the dismissal of those that under-perform. The Group will also spend more efforts to develop a good corporate culture, which is essential to the maintaining of a strong team spirit and high efficiency.

Last but not least, on behalf of the board I would like to take this opportunity to express our sincerest gratitude to all shareholders for their strong support and to all staff for their hard work and contribution to the Group.

Ou Yaping

Chairman

Hong Kong, 22 April 2002