

Enhance Value
Create Value
Identify
Value



Mr. Ou Yaping
Chairman

On behalf of the board of directors (the "Board") of Sinolink Worldwide Holdings Limited ("Sinolink" or the "Company"), I am pleased to announce that the Company and its subsidiaries (collectively the "Group") recorded satisfactory results during the year ended 31 December 2004.

BUSINESS REVIEW

During the year under review, the Group achieved satisfactory results with increased contributions from all across our business activities. The turnover increased by 32.6% to HK\$2,406.4 million and net profit amounted to HK\$314.5 million.

Property Market

With the Group's real estate developments located in the city of Shenzhen of the People's Republic of China (the "PRC" or "China"), the operating results in the property development business continued to benefit from the fast-growing economy of this special economic zone. In the past year, the property prices in the PRC continued to rise and to allow for a more sustainable growth, the PRC government had taken several measures to adjust its economy in 2004 and in early 2005, which include raising the mortgage interest rate and also raised the ceiling for deposit for mortgages to 30%. Shenzhen, being one of the more mature market in property development and with the continuous prosperity of the economy, the demand will continue to grow which in turn will generate a healthy and favourable environment for our growth.

In 2004, despite these macro-austerity measures, the total area of residential property developments approved for pre-sale in Shenzhen was 9,531,900 square metres, representing an increase of 9.5% over 2003, and of which 8,064,800 square metres were residential property, representing 12.5% increase over 2003.

Recently, the Shenzhen government announced a 5-year plan to redevelop the Shenzhen city's residential properties into "village-in-town" style whereby each residential property is self-serving with multi facilities built in the developments just like our Sinolink Garden, with built-in club houses, schools, shopping complexes, etc.. The redevelopment plan not only will re-shape the look of the city and once developed, will create over 6 million square metres of residential properties to satisfy the demand for housing in Shenzhen. We see this as our opportunity and with our expertise, we are currently conducting feasibility studies towards our involvement in these projects.



Gas Fuel Market

The PRC economy continued to expand at a solid and rapid momentum in 2004, that was by far its highest growth in

Chairman's Statement

more than a decade. Amidst the rapid growth of the economy, there are structural changes taking place in the PRC's energy consumption strata. Recognising the high importance of environmental protection and prompted by the Chinese citizens' aspirations for higher living standards, the PRC government has been taking measures to reduce the reliance on coal and to increase gas fuel consumption. Driven by strong economic developments and supportive government policies, the PRC's gas fuel market provides a favourable environment for investors.

According to the forecasts of the Energy Research Institute of the State Planning Commission, the PRC will see a much stronger growth in natural gas demand against coal and oil consumption in the next 20 years. By 2020, its natural gas demand is expected to increase to 203.7 billion cubic metres, accounting for 10% of the country's total energy consumption compared to only 2.1% in 1998. Stretched global oil supply and severe air pollution brought by low-grade fuels also play a part in prompting the PRC government to accelerate natural gas development.

On 1 October 2004, the "West to East Pipeline" officially went into commercial operation. With a total length of 4,000 kilometres, the pipeline brings natural gas to 10 provinces across the PRC's eastern and western regions. On 16 November 2004, the Zhongwu Gas Pipeline commenced operation, transporting natural gas from the Sizhuan-Basin to the Hubei and Hunan provinces. Other major pipelines such as the Shaanxi-Beijing Second Pipeline and the Hebei-Nanjing Pipeline will be completed in the next few years. Significant progress is also seen in offshore natural gas exploitation along the PRC's coastal regions, while imported liquefied natural gas ("LN Gas") is becoming a hot pursuit for companies to take advantage of the soaring demand. All in all, a nationwide natural gas pipeline network is taking shape in the PRC, with natural gas pipelines already developed in major PRC provinces and cities.

The Group has seized the huge opportunities arising from the PRC's rapid development of natural gas through active



participations in state-owned gas enterprise reforms to expand its city gas projects. Such projects are located in major PRC cities with abundant natural gas resources and strong prospects for natural gas consumption.

Given that most of the PRC villages and small and medium-size towns will not have access to natural gas pipelines, it is highly likely that LP Gas will remain their favourite choice. Even in major PRC cities, there are commercial sectors such as the food catering industry which prefer LP Gas in cylinders to piped natural gas, as the former has the advantages of being high in burning power, easy to carry, and inexpensive in upfront investment. As such, the PRC will continue to provide ample room for the coexistence of LP Gas and pipe natural gas.

Being a major LP Gas supplier with an extensive end-user customer base in the PRC, the Group has strong operational and management experience in the field and commands a well-established supply and sales network. During 2004, rising oil prices worldwide led to steep increases in LP Gas production costs, bringing huge challenges to the Group's LP Gas operations. Facing these challenges, the Group took active measures to reduce its operating costs – such as the strengthening of control on inventory turnover, diversification in purchasing and adoption of more proactive management – while increased the sale prices of its products. By capitalising on its strong competitive advantages, the Group was able to alleviate the operating risks brought by rising oil prices and gained satisfactory results.

Power Market

During the year under review, despite the fact that the PRC government introduced macroeconomic measures to adjust its economy, total gross domestic products still grew by 9.5% in 2004. The nation power generation and consumption grew at an even higher rate of 14.8% and 14.9% respectively, reaching a total of 2,187.0 billion kWh and 2,173.5 billion kWh respectively in 2004. According to the statistics provided by the State Power Information Network, the total power generation in Guangdong Province alone grew by more than 12.6% in 2004 to approximately 202.3 billion kWh. The level of strong demand is expected to continue in 2005, which provides opportunities for the Group to improve both its productivity and further expand our power generating units.



BUSINESS PROSPECTS

Property Market

According to the market forecasts, the annual demand in Shenzhen property market will maintain at a level of approximately 12,000,000 square metres during the next 5 years, which is corroborated with the annual sales record in 2004. As the land in the city has mostly been utilized, future developments will be focused on the suburb areas and the redevelopment of the existing old residential. With the commencement of the operation of the Shenzhen subway project in December 2004 to relief the congestion of traffic in Shenzhen, the Company believes that the Shenzhen property market will maintain a healthy and steady trend of rising demand and price.

In 2005, the Group's property development business will reach its harvesting stage whereby our long awaited, stunning two years development projects, *The Mangrove West Coast* will be launched shortly, bringing 249,300 square metres of gross floor areas available for sale. Together with existing project, *The Oasis*, we will ripe a fruitful year ahead.



Gas Fuel Market

In view of the PRC government's policy to further open up the oil and gas sectors to foreign investors, in particular the natural gas production chain where the barrier to foreign investment will be removed, the western PRC region with its abundant resources of natural gas offers huge investment opportunities. The Group will strive to seize the opportunities arising from the state's Western Development Plan, focusing on the expansion of natural gas projects in markets such as Sichuan and Chongqing. Moreover, the Group will increase its investment and merger and acquisition activities in the northeastern PRC region by capitalising on the favourable policies offered by the state to revitalise the northeastern industrial base and the unprecedented opportunities arising from the transport of Russian natural gas to the region. The Group will continue to add high quality gas projects and increase its economies-of-scale advantages. While focusing on the development of the piped gas sector, the Group will also continue to invest in and actively expand its LP Gas businesses including the retail of LP Gas in cylinders and the wholesale of LP Gas in bulk. The objective is to further expand the Group's end-user customer base and profitability by capitalising on the Group's brand-name advantage.

Chairman's Statement

Looking ahead, the Group will make additional efforts to seize the unprecedented opportunities brought by the PRC's public utilities reforms. The Group will actively expand its market, apply prudence in investment, and participate in good quality gas enterprises with strong growth potential through mergers and acquisitions with due regard to the state's natural gas development policy and the Group's internal corporate development strategy. Moreover, the Group will improve the integration of its acquired companies and maintain its overall economies-of-scale advantages in order to gain further development for the Group's businesses and continue maximising the returns for shareholders.

Power Market

In 2005, I believe the Chinese economy will continue to grow at a steady rate in 2005 and so will demand for electricity despite the continual imposition of macroeconomic austerity measures by the PRC government. Our top priority is to make sure our existing expansions will be completed on schedule and within our budgeted cost. We are conducting feasibility studies towards switching our existing power generating units to the utilization of LN Gas as fuel and further expand our current capacity by doubling it through our own development and construction. In the near future, with the opening of the Guangdong LNG Terminal ("Terminal"), we will be able to benefit from being one of the first power generating units to receive supply from the Terminal.

In addition, in response to the continuing strong demand for electricity in the PRC and increasing emphasis by the PRC government on the environmental protection issue, our investment strategy would be the utilization of other alternative means of energy production like coal gasification. As China is a coal-rich country, this process of refining coal to produce wide range of chemical products will allow us to capture the commercial benefit of better and cleaner utilization of coal.

Despite the abovementioned expansion and acquisition plans in place, the continuing high oil price in the world market and the shortage of rain water in Shenzhen may directly or indirectly increase the operating cost and are challenges and issues which management have been closely monitoring. Appropriate measures have been undertaken by the management to minimize the impact on operations.

Therefore, in 2005, we will continue to improve our internal control and management systems and process flows especially enforcing stringent control over our fuel cost in response to the soaring oil price and the construction costs on our projects.



APPRECIATION

Last but not least, I would like to take this opportunity to thank our board members, customers and business associates for their strong support, and our staff for their high diligence during the past year. I would also like to thank our shareholders for their continual support and trust of the management team through all these years.

Ou Yaping

Chairman

Hong Kong, 31 March 2005