TANG Yui Man Francis
Chief Executive Officer

BUSINESS REVIEW

For the year ended 31 December 2005, the Group achieved remarkable results with turnover of HK$4,770 million, representing an increase of 130% as compared to 2004. Gross profit increased to HK$1,307 million for the year ended 31 December 2005, an increase of 141% as compared to 2004. Profit attributable to equity holders of the Company increased to HK$671 million, representing an increase of 141% as compared to 2004. The basic earnings per Share increased to HK28.42 cents in 2005 as compared to HK12.03 cents in 2004, representing an increase of 136%.

The strong performance is attributed from the contributions of the Group's property development business, which recorded 139,600 square metres of gross floor areas sold, the gas fuel business continued to show significant progress and the consolidation of the electricity generating business.

Previously, the Group applied the stage of completion method to recognise revenue from pre-completion contracts for the sale of development properties. In the current year, the Group has, for the first time, applied Hong Kong Interpretation 3 "Pre-completion Contracts for the Sale of Development Properties" ("HK-Int 3") which only allowed the use of completion method to recognise revenue from pre-completion contracts for the sale of development properties. The Group has elected to retrospectively apply the requirements of HK-Int 3 to pre-completion contracts for the sales of development properties entered into on or after 1 January 2004.

Property Sales

For the year ended 31 December 2005, the Group recorded a turnover of HK$1,110 million for property sales, representing an increase of 668% as compared to 2004. The Group sold a total floor area of approximately 139,600 square metres during the year as compared to 20,566 square metres for 2004 and was mainly derived from the sales of the remaining units of *Sinolink No.8* and 99% of *The Oasis*. *The Oasis* is a 1,322 units development covering a total gross floor area of 140,868 square metres and a 20,232 square metres commercial development and the Group completed its development during the year.

Gross profit increased by 505% to HK$448 million in 2005 from HK$74 million in 2004 due to significant increase in sales in 2005 and the increase in average selling price. The average selling price for *The Oasis* is approximately RMB9,206 per square metre in 2005, representing an increase of approximately 15% or RMB1,171 per square metre as compared to 2004 of RMB8,035 per square metre.

Property Rental

In 2005, turnover of the Group's property rental was HK$11 million, consist of mainly shopping malls and commercial areas in Sinolink Garden with total gross floor areas of 83,837 square metres. These rental properties were transferred from the stock of properties or completed construction of the property under development by the Group during the year.

As at 31 December 2005, the Group has the following properties under development:

(1) *The Mangrove West Coast* is a 1,301 units development project with a total gross floor area of approximately 249,300 square metres. This residential development project has completed its structural part of the development and expects to be completed in the first half of 2006. Its presale has commenced since May 2005. With RMB25,000 per square metre as the launching price before discount, a total of 49,851 square metres were presold since May 2005;

(2) Sinolink Garden Phase Five eastern district, is a development project with a total site area of 40,786 square metres and total gross floor area of 226,231 square metres. The Group intends to develop this development project into a residential and commercial areas. The construction works is expected to commence at the second quarter of 2006 and will be completed by second half of 2008;

(3) Shanghai Bund de Rockefeller Group or Waitanyuan Project, is a joint development project the Group entered into with the Rockefeller Group International Inc. in November 2005. The project has a total site area of 18,000 square metres and total gross floor area of 94,000 square metres. The Group intends to redevelop this historical site into an upscale mixed-use neighborhood, with residential, commercial, retail, offices and hotel facilities. This development project will commence construction works in the second half of 2006 and expects to be completed by late 2008.

Electricity Generation Business

For the year ended 31 December 2005, the Group's electricity generation business operated through Enerchina, recorded turnover of HK$1,292 million, an increase of 53% and sold 2,233 million kWh of electricity, representing an increase of 52% as compared to 1,473 million kWh over 2004. This increase was mainly due to (i) the increase in power generation capacity; completion of third and fourth combined cycle generating units which commenced commercial production in September 2004 and May 2005 respectively and (ii) continuation of the increased demand for electricity in the Guangdong Province during the year. For the year ended 31 December 2005, Enerchina Group had an installed capacity of 665,000 kilowatts, an increase of 1.4 times over the installed capacity of last year.

The staggering high world crude oil price had significantly affected the price of heavy oil during the second half of the year so as to put the Group's power generation business under enormous pressure. Despite the fact that the management had contributed a lot of efforts towards improving productivity and continued to strengthening of fuel procurement and inventory control in order to minimise the impact of higher fuel costs to the Group, the gross profit margin of power generation for the year was decreased by 15.9% as compared to last year.

The Group had received a subsidy of high fuel costs from Shenzhen Power Supply Bureau in an amount of HK$9 million and HK$51 million for the power generation during the period from January 2005 to April 2005 and from May 2005 to August 2005 and the Group is still in discussion with Shenzhen Power Supply Bureau regarding the compensation amount for the period from September 2005 to December 2005.

The management of the Group expects the current price level of heavy oil will sustain for a period of time. Therefore, the power plant is undergoing conversion which allows natural gas, more economical fuel with substantial less pollution, to be used as an alternative. The management of the Group expects the two 180 MW power generator units will be modified to burn natural gas as an additional energy source in 2006. In addition, it will provide greater flexibility to the power plant to select a cheaper source of fuel in the future. In view of the location of the Group's power plant is in close proximity to the Guangdong Liquefied Natural Gas Terminal, which is expecting to be completed in 2006, therefore the Group's power plant is in an advantageous position to convert from heavy oil to natural gas.

In the first half of 2005, the Enerchina Group had completed a disposal of its 41% equity interest in Xin Hua Control for a consideration of US$24 million, which was equivalent to approximately HK$183 million. The Group recorded a gain of HK$96 million from the disposal. Xin Hua Control is principally engaged in the business of manufacture and sale of control systems for power plants and large scale manufacturing plants. The Directors are of the view that the disposal is the sale of non-core business and it is in the interest of the Group.

Gas Fuel Business

For the year ended 31 December 2005, the Group's gas fuel business, operated by Panva Gas Holdings Limited ("Panva Gas", Stock code: 1083), recorded a turnover of HK$2,324 million, an increase of 29% over 2004. Gross profit grew by 54% to HK$690 million and profit attributable to shareholders decreased by 45% to HK$156 million. The decrease was due to a mark-to-market revaluation of the interest rate SWAPS of HK$208 million charged to the bottom line.

The gas fuel business was further divided into wholesale and retail of LP Gas, the sale of piped gas and gas pipeline development business. The turnover contribution from each of these activities amounted to HK$854 million, HK$574 million, HK$153 million and HK$712 million, accounting for 37%, 25%, 7% and 31% respectively to the Panva Gas's turnover.

The Group continued to accelerate its new project development in 2005 and gained major breakthroughs and achievements. On the piped gas front, the Group further strengthened its strategic position in Sichuan and the northeastern PRC region while increased its market penetration in Guangdong. A total of seven projects were secured during the year concerning piped gas distribution and gas pipeline construction in cities that included Jianyang in Sichuan province, Tieling, Chaoyang and Benxi in Liaoning province, and Shaoguan and Qingyuan in Guangdong province with a total investment of over RMB543 million.

FINANCIAL REVIEW

As at 31 December 2005, the Group's total borrowings were HK$3,812 million (2004: HKHK$4,333 million) representing a decrease of 12% or HK$521 million over 2004. The net decrease is mainly due to the repayment of bank and other loans. The Group's gearing ratio, measured by net borrowings (after deducting cash and bank balances of HK$2,438 million) over shareholders' funds, increased from 29% to 40%. Bank borrowings are mainly used to finance the property development projects and the construction of power plants and the convertible note, bonds and senior notes are used for the expansion of gas fuel business. The borrowings are mainly at floating interest rates.

As at 31 December 2005, total assets pledged in securing these loans have a net book value of HK$1,391 million (2004: HK$649 million). The borrowings of the Group are denominated in RMB, United States Dollars and Hong Kong Dollars. As the entire operation of the Group is carried out in the PRC, substantial receipts and payments in relation to operation are denominated in RMB. No financial instruments were used for hedging purpose except for the interest rate swaps entered into by Panva Gas Group to hedge the senior notes; however, the Board is evaluating and closely monitoring the potential impact of RMB appreciation and interest rate movement and the instruments that could minimise such potential impact on the Group.

The Group's cash and cash equivalents amounted to HK$2,438 million (including pledged bank deposits of HK$285 million) as at 31 December 2005 are mostly denominated in RMB, Hong Kong dollars and US dollars.

PROSPECTS

In 2005, the property prices in Shenzhen continued to rise at a steady rate as compared to 2004 reflecting the economic growth of Shenzhen. As the Group's current major real estate developments were located in the city of Shenzhen of the PRC, the Group continued to benefit from the fast-growing economy of this special economic zone.

In addition, the proximity of Shenzhen to Hong Kong, the continuing rise on household income and their affordability ratio, the further influx of capital from overseas investing in fixed assets on return from the expected further revaluation of RMB, all contributed to the acceleration of foreign and local investors to invest in properties in Shenzhen and throughout the PRC, especially through investing in prime locations and high quality properties. The Mangrove West Coast since its presale had attracted about 50% foreign investors to buy our properties. To seize this opportunities, the Group is actively seeking its expansions in the property development business by exploring any new potential projects in both Shenzhen and other major cities in the PRC. The first move to branch our property development business into other major cities in the PRC was embarked by our investment in the Shanghai Bund de Rockefeller Group or Waitanyuan Project along the Waitanyuan district in Shanghai in November 2005.

The Group's future plan, in addition to residential projects, also would like to balance our portfolio including commercial projects with potential for capital appreciation and providing the Group with a stable income streams.

In 2006, the Group will reap a significant amount of sales from the presold units of *The Mangrove West Coast*, which was expected to obtain its occupancy permit by second quarter of 2006. The Group expects to pace the sales of *The Mangrove West Coast* in throughout 2006 and 2007 so as to capture the improving environment of the Shenzhen property markets.

On the power generation business side, the Group expects with the increased in installed capacity in 2005 together with the growth in power consumption in the Guangdong province, the power plant will further increase the power output in 2006. However, the Group sees the power sector in the PRC still a challenge in 2006 as the heavy oil price is still a major determinant of the Group's power sector profitability and the Group considers that the heavy oil price may not come down significantly in the near future. In addition, under the current electricity supply regime of the PRC, the Group cannot transfer the additional fuel costs to its customers and we can only receive partial compensation from the government for the additional fuel costs. In view of this situation, we will continue to undergo the gas conversion of the power plant which allows natural gas, a significantly more economical fuel with substantial less pollution, to be used as an alternative.

The Group will continue its effort in increasing the power generation capacity, which will be mainly powered by natural gas, from the Group's existing total installed capacity of 665,000 kilowatts to 1,450,000 kilowatts and at the same time, to explore the opportunities to expand into the coal gasification business and the clean energy sector of the PRC.

On the gas fuel business front, the Group will further enhance its corporate culture and social contribution in 2006 while focusing on the further expanding the Group's economies-of-scale through mergers and acquisitions and new project development and prudently seeking for new projects of higher investment returns while adhering to the Group's well-tested selection criteria. In addition, the Group will focus on the development of piped gas projects while expanding the Group's LP Gas business in selective PRC cities. On the operational side, we strive to further standardising the Group's operations and enhancing the returns of existing projects through effective cost reduction measures and realignment of resources and strengthening the Group's co-operations with up-stream enterprises to ensure a reliable gas fuel supply.

MAJOR AND CAPITAL MARKET EVENTS

On 3 December 2004, the Group increased its stake in Enerchina from 37.1% to 50.1% by purchasing another 13% from independent third parties. At the same time, an unconditional general offer was made and closed on 18 January 2005 with the Group's holding further increased to 63.38% and a total amount of HK$192 million was paid for the exercise.

During 2005, the Company made several placements on Enerchina's shares to various independent third parties and altogether raised HK$250.6 million from the placings for working capital of the Group.

On 23 June 2005, Goodunited Holdings Limited, an indirect wholly owned subsidiary of Enerchina, seized the opportunity to maximise the benefit from its electricity operations by entering into an agreement with Shenzhen Huishen Electric Power Company Limited ("Shenzhen Huishen") to purchase 30% registered capital of Shenzhen Fuhuade Electric Power Co., Limited, an indirect wholly owned subsidiary of Enerchina from Shenzhen Huishen for a total consideration of RMB250 million. The acquisition was completed in July 2005.

On 30 November 2005, the Group through its wholly owned subsidiary, Sinolink Shanghai Investments Limited, entered into the Investment Agreement with Rockefeller Group International, Inc. ("Rockefeller Group"), whereby the Group will participate alongside Rockefeller Group in a project to redevelop parts of the historic Waitanyuan district in Shanghai.

On 9 December 2005, the Company entered into the Placing and Subscription Agreement under which 280,000,000 shares of the Company were placed to independent placees at the Placing Price of HK$1.95, and raised HK$534.5 million, net of expenses from this placing to finance the Group's existing property development activities, and for general working capital purposes.

On 25 January 2006, the Company entered into another Placing and Subscription Agreement under which 189,456,448 shares of the Company were placed to various independent placees at the Placing Price of HK$2.34, and raised HK$426 million, net of expenses from this placing to finance the Group's existing property development activities, and for general working capital purposes.

GROUP REORGANISATION

On 7 April 2005, the Board of the Company had reached an agreement with the Board of Enerchina, whereby the Company agreed to sell its stake of 58.45% interest in Panva Gas to Enerchina for a consideration HK$1,753 million payable by issuing new shares of Enerchina at HK$0.69 per share. Both the board of Sinolink and Enerchina consider that Panva Gas will provide a long term and reliable income base for Enerchina and as Enerchina itself is already a subsidiary of Sinolink, after completion of the acquisition, Panva Gas remain as the Company's subsidiary. The re-organisation was completed on 2 June 2005.

Subsequent to the acquisition, the Group through Enerchina had made various on-market purchases aggregated to 19,935,000 shares of Panva Gas for a total consideration of HK$62.3 million, equivalent to an average of HK$3.126 per share, representing approximately 2.1% of the issued share capital of Panva Gas. As the results of the acquisition and the various on-market purchases, the Group is currently holding approximately 60.42% shareholding interest in Panva Gas.

DISTRIBUTIONS IN SPECIE

On 22 March 2006, the Board of the Company declared a special interim dividend to be satisfied by way of a distribution in specie of the Enerchina shares held by the Company in the proportion of 5 Enerchina shares for every 10 shares held by the shareholders of the Company. The relevant Enerchina Shares were distributed to shareholders of the Company on 13 April 2006, whereby bringing the shareholding of Sinolink in Enerchina from 74.79% to 45.39%.

CAPITAL COMMITMENTS

As at 31 December 2005, the Group has capital commitments in respect of properties under development amounting to HK$594 million (2004: HK$677 million), in respect of acquisition of property, plant and equipment of nil (2004: HK$191 million) and in respect of unpaid capital contribution of investment projects amounting to HK$1,133 million (2004: HK$526 million).

CONTINGENT LIABILITIES

As at 31 December 2005, the Group had contingent liabilities relating to guarantees given to banks as security for the mortgage loans arranged for the purchases of the Group's properties amounted to HK$704 million (2004: HK$261 million).

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended a final dividend of HK$0.035 (2004: HK$0.03) per Share in respect of the year ended 31 December 2005. Upon approval by the shareholders of the Company at the forthcoming annual general meeting, the final dividend will be paid on or before Tuesday, 6 June 2006 to shareholders whose names appear on the register of members of the Company on Monday, 29 May 2006.

The register of members will be closed from Thursday, 25 May 2006 to Monday, 29 May 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms with share certificates must be lodged with the Company's Hong Kong Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 24 May 2006.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2005, the Group employed approximately 4,813 (2004: 4,120) employees for its principal businesses. The Group recognises the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

PURCHASES, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the year ended 31 December 2005.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Kong Limited (the "Stock Exchange") ("Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee are Messrs. Davin A. Mackenzie, Tian Jin and Xin Luo Lin. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management

The annual results of the Group for the year ended 31 December 2005 had been audited by the Company's auditors, Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

By Order of the Board

TANG Yui Man Francis
Chief Executive Officer

Hong Kong, 24 April 2006