

CODE ON CORPORATE GOVERNANCE PRACTICES

Sinolink Worldwide Holdings Limited (“the Company” or “Sinolink”) is committed to maintaining a good, credible and dynamic framework for corporate governance so as to ensure better transparency and protection of shareholders’ interest, as well as the stakeholders’ interests. We understand the importance on the sound corporate governance practices and recognize the changing regulatory environment, our corporate governance characterized as dynamic framework, i.e. an evolving process, for responding to the rapid changes and continuous development in our corporate governance practices.

On 1 January 2005, the Code of Best Practices contained in appendix 14 of the the Listing Rules was replaced by the Code on Corporate Governance Practices (“the Code”). The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

STATEMENT OF COMPLIANCE

The Company has complied with the code provisions as set out in the Code during the year ended 31 December 2005 with exception of the following:

Code provision E.1.2

The chairman and other members of the audit committee were unable to attend the annual general meeting of the Company held on 18 May 2005 because they were out of Hong Kong at that time for business commitment. This does not meet with the first sentence of the code provision E.1.2 of the Code which provides that the chairman of the Board should arrange for the chairman of the audit committee or another member of the committee or their duly appointed delegate to their available to answer questions at the annual general meeting.

Code provision A.4.2 (the last sentence)

One of the Directors held office for more than three years without subject to retirement by rotation at the annual general meeting of the Company held on 18 May 2005. This constitutes a deviation from the last sentence of the code provision A.4.2 of the Code which provides that every director (including directors appointed with specific terms) should be subject to retirement by rotation at least once every three years. Accordingly, a special resolution was proposed and passed at the said annual general meeting to amend the Bye-laws so that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Code provision A.4.2 (the first sentence)

The code provision A.4.2 of the Code (the first sentence) provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. The existing Bye-law 86(2) of the Bye-laws, requires any Director appointed by the Board to fill a causal vacancy to hold office only until the next annual general meeting and such Director shall then be eligible for re-election at that meeting.

CORPORATE GOVERNANCE REPORT

A Director was appointed by the Board to fill a casual vacancy on 18 May 2005. He did not retire at the special general meeting of the Company held on 28 November 2005 and in accordance with the said Bye-law 86(2), he will offer himself for re-election at the forthcoming annual general meeting. The above constitutes a deviation from the first sentence of code provision A.4.2 of the Code. The Company will put forward at its forthcoming annual general meeting a proposal to amend the Bye-law 86(2) of the Bye-laws to comply with the first sentence of the code provision A.4.2 of the Code.

BOARD OF DIRECTORS

Composition

The Board comprises 7 members. Mr. Ou Yaping acts as Chairman of the Board, whereas Mr. Tang Yui Man Francis acts as Chief Executive Officer of the Company. Other executive Directors are Messrs. Chen Wei and Law Sze Lai. The Company has three independent non-executive Directors, Messrs. Davin A. Mackenzie, Tian Jin and Xin Luo Lin, all independent non-executive directors possess appropriate professional accounting experience and expertise.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each director are disclosed in pages 18 to 19 of this annual report.

Each of independent non-executive Directors has pursuant to the rule 3.13 of the Listing Rules, confirmed that he is independent of the Company and the Company also considers that they are independent.

There is no relationship (including financial, business, family or other material relationship) among members of the Board.

Pursuant to the Bye-laws, the Directors shall hold office subject to retirement by rotation at the annual general meeting of the Company at least once every three years and eligible for re-election.

The term of office of each independent non-executive Director is for a period of 1 year from 1 January 2006 to 31 December 2006 subject to retirement by rotation, except for Mr. Tian Jin, who was appointed in May 2005, has the term of office for a period of 2 years from 18 May 2005 to 17 May 2007.

Function

The Board, headed by the Chairman, is responsible for formulation and approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, recommendation of dividend, and supervision of management in accordance with the rules governing the meeting of the Board, the Managing Director's working guides, Bye-laws and rules governing the meeting of shareholders.

The executive Directors are responsible for day-to-day management of the Company's operations. These executive Directors conduct regular meetings with the senior management of the Group, at which operational issues and financial performance are evaluated.

The Company views well developed and timely reporting systems and internal controls are essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

The Board has established schedule of matters specifically reserved to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

The Board has established procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Bye-laws contain description of responsibilities and operation procedures of the Board. The Board holds regular meeting and listens to the operating reports of the Company and makes policies. Significant operating policies of the Company have to be discussed and passed by the Board. Board meetings include regular meetings and irregular meetings. The Board meets formally at least 4 times a year.

Besides regular and irregular meetings, the Board obtains adequate information through working meetings, presided by the Chairman in a timely manner, to monitor objectives and strategies of the management, financial conditions and operating results of the Company and provisions of significant agreements.

CORPORATE GOVERNANCE REPORT

During 2005, the Board held 4 regular Board meetings at approximately quarterly interval and 36 irregular Board meetings which were convened when deemed necessary. Due notice and Board papers were given to all Directors prior to the meeting in accordance with the Bye-laws and the Code. Details of individual attendance of directors are set out below:-

<i>Executive Directors</i>	No. of meeting attended
Ou Yaping (<i>Chairman</i>)	40
Tang Yui Man Francis (<i>Chief Executive Officer</i>)	38
Chen Wei	11
Law Sze Lai	16
 <i>Independent Non-executive Directors</i>	
Li Zhi Xiang *	-
Davin A. Mackenzie	5
Tian Jin *	3
Xin Luo Lin	6

**Note: Mr. Li Zhi Xiang retired on 18 May 2005 and Mr. Tian Jin was appointed on the same date.*

Chairman and Chief Executive Officer

The role of the Chairman, Mr. Ou Yaping, is separate from that of the Chief Executive Officer, Mr. Tang Yui Man Francis. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that its acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer, assisted by other executive Directors, is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- regular board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of management, Board members and shareholders, including misuse of corporate assets and abuse in related party transaction; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

Board Committees

A number of Board Committees, including Audit Committee and Remuneration Committee, have been established by the Board to strengthen its functions and to enhance its expertise. These committees have been formed with specific written terms of reference which deal clearly with the committees authority and duties.

Remuneration Committee

The Board established a Remuneration Committee comprising one executive director, Mr. Ou Yaping and two independent non-executive Directors, Messrs. Davin A. Mackenzie and Xin Luo Lin. It is chaired by Mr. Xin Luo Lin.

The terms of reference of the Remuneration Committee have been reviewed with reference to the Code.

The Remuneration Committee's responsibilities are to review and consider Company's policy for remuneration of Directors and senior management, to determine remuneration packages of executive Directors and senior management including benefits in kind, pension rights and compensation payments, and to recommend to the Board remuneration of non-executive Directors.

CORPORATE GOVERNANCE REPORT

Set out below is the summary of work of the Remuneration Committee done in 2005:-

- to review the remuneration policy for 2005/2006;
- to review the remuneration of the executive Directors and the independent non-executive Directors; and
- to review the annual share option policy.

The Remuneration Committee held 1 meeting during 2005. Details of individual attendance of its members are set out in the table below:

Members of the Remuneration Committee	No. of meeting attended
Davin A. Mackenzie	1
Ou Yaping	1
Xin Luo Lin (<i>Chairman of the committee</i>)	1

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.

Audit Committee

The Audit Committee is composed of three independent non-executive Directors, namely Messrs. Davin A. Mackenzie, Tian Jin and Xin Luo Lin. It is chaired by Mr. Xin Luo Lin. It reports directly to the Board and reviews financial statements and internal controls, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditors to discuss accounting issues, and reviews effectiveness of internal controls and risk evaluation. Written terms of reference, which describes the authority and duties of the Audit Committee are regularly reviewed and updated by the Board.

Set out below is the summary of work done in 2005:

- review of the financial statements for the year ended 31st December, 2004 and for the six months ended 30 June 2005;
- review of the effectiveness of the internal control system;
- review the external auditors' audit findings; and
- review and approve 2005 auditors' remuneration.

The Audit Committee held 2 meetings during the year. Details of individual attendance of its members are set out in the table below:

<i>Members of the Audit Committee</i>	No. of meeting attended
Li Zhi Xiang (<i>Note 1</i>)	-
Davin A. Mackenzie	2
Tian Jin (<i>Note 2</i>)	1
Xin Luo Lin (<i>Chairman of committee</i>)	2

Notes:

1. Mr. Li Zhi Xiang retired on 18 May 2005.
2. Mr. Tian Jin was appointed on 18 May 2005 and he was eligible to attend only one audit committee meeting of the Company during the year 2005.

Nomination of Directors

The Board has not established a nomination committee. According to the Bye-laws, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new Directors, the Board has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

During 2005, the Board has reviewed the need to appoint new independent non-executive Director for filling the vacancy of retirement of Mr. Li Zhi Xiang as Director and to comply with the Listing Rules that the listed company should have three independent non-executive directors. Nomination was made by the members of the Board based on the need of the Company and the expertise and the experience of individual candidate.

There was a meeting held for the aforesaid purpose during the year, which Messrs. Ou Yaping and Mr. Tang Yui Man Francis were attended the meeting, to consider and approve the appointment of a new independent non-executive Director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2005, all Directors have complied with the required standard set out in the Model Code.

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The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

EXTERNAL AUDITORS

The external auditors of the Company is Deloitte Touche Tohmatsu (“Deloitte”), Deloitte provided services in respect of the Company’s financial statements prepared under Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKFRSs”) for the year 2005. Deloitte also reviewed the 2005 unaudited interim financial report of the Company, prepared under HKFRSs.

During the year, the fees charged by Deloitte in respect of audit services for the year 2005 amounted to HK\$3,618,000. In respect of non-audit services, the fees charged by Deloitte are set out as below:

	Fee HK\$'000
Description of professional services rendered in connection with:	
- interim reviews of the financial statements of the Group for the six months ended 30 June 2005	490
- the migration exercise of Panva Gas Holdings Limited to the listing on The Main Board of the Stock Exchange	5,000
- acting as reporting accountants for the issue of circular for the acquisition of 30% interest in Shenzhen Fuhuade Electric Power Company Limited	600
- review of the statement of indebtedness of the Group as at 31 October 2005 and review of the cash flow forecast of the Group in connection with the major transaction of the investment in Rockefeller Group Asia Pacific, Inc. to fund Shanghai Bund de Rockefeller Group	300
- other services	650
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Total	7,040
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INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Company is making comprehensive improvements to its internal control system and will implement a stricter and more regulated internal control system in the new financial year and disclose the relevant measures to the public in a timely manner.

The Company encourages a risk aware and control conscious environment throughout the Company. The Board, either directly or through its committees, sets objectives, performance targets and policies for management of key risks facing the Company. These include strategic planning, political and regulatory, acquisitions, investments, expenditure control, treasury and environment.

Pursuant to the code provision C.2.1, the Board should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in the corporate governance report. Under the transitional arrangement, the said code provision C.2.1 will be implemented for accounting periods commencing on or after 1 July 2005.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

SHAREHOLDERS COMMUNICATION

The objective of shareholders communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in all circulars accompanying notice convening general meeting and has been read out by the chairman at general meeting.

At the 2005 Annual General Meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election Directors. The Chairman of the Board attended the 2005 Annual General Meeting to answer questions of shareholders, while the chairman and other members of the Audit Committee were unable to attend the 2005 Annual General Meeting because they were out of Hong Kong at the time for their personal business commitment.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in preparing the financial statements. The statement of the Auditors about their reporting responsibilities on the financial statements is set out in the Auditors' Report on page 50.