



百仕達控股有限公司*

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1168)

2004 FINAL RESULTS

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2004

- Group Turnover up 32.6 % to HK\$2,406.4 million
- Gross Profit up 35.9 % to HK\$650.6 million
- Net Profit amounted to HK\$314.5 million
- Basic Earnings Per Share amounted to HK13.6 cents
- Proposed final dividend of HK3.0 cents per share

FINAL RESULTS

The Board of Directors (the “Board”) of Sinolink Worldwide Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2004, together with the comparative figures of the corresponding year in 2003 as follows:

AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	NOTES	2004 HK\$'000	2003 HK\$'000 (Restated)
Turnover	3	2,406,388	1,815,356
Cost of sales		(1,755,793)	(1,336,630)
Gross profit		650,595	478,726
Other operating income		33,566	25,511
Distribution costs		(72,691)	(52,512)
Administrative expenses		(148,231)	(130,649)
Other operating expenses		(34,118)	(15,159)
Profit from operations	4	429,121	305,917
Finance costs	5	(34,721)	(10,630)
Gain on disposal of subsidiaries		90,705	293,817
Loss on deemed disposal arising from dilution of interest in a subsidiary		(3,266)	–
Loss on deemed disposal arising from dilution of interest in an associate		(432)	–
Release of deferred gain on disposal of a subsidiary		–	77,000
Gain on disposal of associates		–	133,209
Gain on partial disposal of an associate		–	2,677
Share of results of associates		26,482	5,981
Amortisation of goodwill of associates		(2,615)	(2,724)
Profit before taxation		505,274	805,247
Taxation	6	(39,385)	(48,654)
Profit before minority interests		465,889	756,593
Minority interests		(151,412)	(126,658)
Net profit for the year		314,477	629,935
Dividends	7	105,134	114,736
Earnings per share	8	HK cents	HK cents
– Basic		13.61	28.15
– Diluted		12.87	27.54

AUDITED CONSOLIDATED BALANCE SHEET

At 31 December 2004

	NOTES	2004 HK\$'000	2003 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment		2,374,254	668,403
Intangible asset		9,160	9,662
Goodwill		180,120	21,443
Negative goodwill		(40,125)	(18,022)
Interests in associates		70,677	184,552
Investments in securities		146,099	83,917
		<u>2,740,185</u>	<u>949,955</u>
Current assets			
Stock of properties		2,082,615	1,639,994
Inventories		102,102	36,417
Trade and other receivables	9	870,798	619,385
Investments in securities		49,576	50,126
Amount due from an associate		–	75,000
Amounts due from minority shareholders		28,064	11,246
Pledged bank deposits		72,467	–
Bank balances and cash		3,546,256	1,309,473
		<u>6,751,878</u>	<u>3,741,641</u>
Current liabilities			
Trade and other payables	10	681,804	327,912
Amounts due to minority shareholders		30,773	6,523
Taxation		79,470	61,156
Borrowings – amount due within one year		811,559	669,056
		<u>1,603,606</u>	<u>1,064,647</u>
Net current assets		<u>5,148,272</u>	<u>2,676,994</u>
Total assets less current liabilities		7,888,457	3,626,949
Non-current liabilities			
Borrowings – amount due after one year		(3,570,142)	(565,655)
		<u>4,318,315</u>	<u>3,061,294</u>
Minority interests		(1,888,445)	(874,556)
Net assets		<u>2,429,870</u>	<u>2,186,738</u>
Capital and reserves			
Share capital		233,345	191,104
Reserves		2,196,525	1,995,634
Shareholders' funds		<u>2,429,870</u>	<u>2,186,738</u>

NOTES

1. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

2. PRIOR PERIOD ADJUSTMENTS

Pursuant to the agreement dated 4 December 2003 in relation to the placing of certain shares in a subsidiary, Panva Gas Holdings Limited (“Panva Gas”), a gain on partial disposal has been recognised in the consolidated income statement for the year ended 31 December 2003. The entire sale proceeds of the placing of shares was then applied for the subscription of the same amount of shares which was approved on 5 January 2004. Subsequently, the board of directors considered that these transactions should be accounted for as one transaction in view of their nature. Accordingly, it resulted in an adjustment to reduce net profit for the year ended 31 December 2003 amounted to approximately HK\$148,115,000 with a corresponding reduction of the opening balance of the accumulated profits as at 1 January 2004. In addition, the Group’s other reserves and minority interests as at 31 December 2003 were increased by approximately HK\$1,178,000 and HK\$169,952,000 respectively while the trade and other payables as at 31 December 2003 was decreased by approximately HK\$23,015,000. The effect of such change had no significant impact on the net profit for the year ended 31 December 2004.

In addition, an adjustment has been made to reduce goodwill arised on the conversion of convertible note into the shares of Panva Gas and other payables of approximately HK\$63,108,000 as at 31 December 2003.

3. BUSINESS SEGMENTS

For management purposes, the Group is currently organised into four operating divisions, namely property development, gas fuel business, electricity supplies and others. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

Property development	–	sales of completed properties/development properties
Gas fuel business	–	wholesaling and retailing of gas fuel and the construction of gas pipelines
Electricity supplies	–	sales of electricity
Others	–	property management services

Segment information about these businesses is presented below
For the year ended 31 December 2004

	Property development HK\$'000	Gas fuel business HK\$'000	Electricity supplies HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	478,277	1,800,253	99,857	28,001	–	2,406,388
Inter-segment sales	–	–	–	1,684	(1,684)	–
	<u>478,277</u>	<u>1,800,253</u>	<u>99,857</u>	<u>29,685</u>	<u>(1,684)</u>	<u>2,406,388</u>
RESULT						
Segment result	<u>109,828</u>	<u>355,331</u>	<u>15,395</u>	<u>4,974</u>	<u>–</u>	485,528
Other operating income						33,566
Unallocated corporate expenses						<u>(89,973)</u>
Profit from operations						429,121
Finance costs						<u>(34,721)</u>
Gain on disposal of subsidiaries	3,898	86,807	–	–	–	90,705
Loss on deemed disposal arising from dilution of interest in a subsidiary	–	(3,266)	–	–	–	<u>(3,266)</u>
Loss on deemed disposal arising from dilution of interest in an associate	–	–	(432)	–	–	<u>(432)</u>
Share of results of associates	–	83	26,399	–	–	26,482
Amortisation of goodwill of associates	–	(118)	(2,497)	–	–	<u>(2,615)</u>
Profit before taxation						505,274
Taxation						<u>(39,385)</u>
Profit before minority interests						465,889
Minority interests						<u>(151,412)</u>
Net profit for the year						<u>314,477</u>
At 31 December 2004						
	Property development HK\$'000	Gas fuel business HK\$'000	Electricity supplies HK\$'000	Others HK\$'000		Consolidated HK\$'000
ASSETS						
Segment assets	2,222,659	2,114,241	1,704,461	9,266		6,050,627
Interests in associates	–	70,677	–	–		70,677
Unallocated corporate assets						<u>3,370,759</u>
Consolidated total assets						<u>9,492,063</u>
LIABILITIES						
Segment liabilities	384,425	155,519	133,686	6,702		680,332
Borrowings	1,125,612	1,950,424	1,305,665	–		4,381,701
Unallocated corporate liabilities						<u>111,715</u>
Consolidated total liabilities						<u>5,173,748</u>
OTHER INFORMATION						
Capital additions	13,162	489,180	1,264,379	1,795		1,768,516
Intangible asset addition	–	8,951	151,705	–		160,656
Depreciation and amortisation	<u>9,132</u>	<u>40,542</u>	<u>6,942</u>	<u>362</u>		<u>56,978</u>

For the year ended 31 December 2003

	Property development <i>HK\$'000</i>	Gas fuel business <i>HK\$'000</i>	Electricity supplies <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER						
External sales	330,979	1,457,632	–	26,745	–	1,815,356
Inter-segment sales	–	–	–	9,542	(9,542)	–
	<u>330,979</u>	<u>1,457,632</u>	<u>–</u>	<u>36,287</u>	<u>(9,542)</u>	<u>1,815,356</u>
RESULT						
Segment result	<u>26,625</u>	<u>291,848</u>	<u>–</u>	<u>5,549</u>	<u>–</u>	324,022
Other operating income						25,511
Unallocated corporate expenses						<u>(43,616)</u>
Profit from operations						305,917
Finance costs						(10,630)
Gain on disposal of subsidiaries	(94)	306,598	–	(12,687)	–	293,817
Release of deferred gain on disposal of a subsidiary	–	–	77,000	–	–	77,000
Gain on disposal of associates	–	–	133,209	–	–	133,209
Gain on partial disposal of an associate	–	–	2,677	–	–	2,677
Amortisation of goodwill of an associate	–	–	(2,724)	–	–	(2,724)
Share of results of associates	–	–	5,981	–	–	5,981
Profit before taxation						805,247
Taxation						<u>(48,654)</u>
Profit before minority interests						756,593
Minority interests						<u>(126,658)</u>
Net profit for the year						<u>629,935</u>

Inter-segment sales are charged at prevailing market prices.

At 31 December 2003

	Property development <i>HK\$'000</i>	Gas fuel business <i>HK\$'000</i>	Electricity supplies <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	1,993,050	2,103,802	–	92,762	4,189,614
Interests in associates	–	–	184,552	–	184,552
Unallocated corporate assets					317,430
Consolidated total assets					<u>4,691,596</u>
LIABILITIES					
Segment liabilities	166,766	151,185	–	5,820	323,771
Borrowings	823,621	411,090	–	–	1,234,711
Unallocated corporate liabilities					71,820
Consolidated total liabilities					<u>1,630,302</u>
OTHER INFORMATION					
Capital additions	15,478	273,359	–	59	288,896
Intangible asset addition	–	10,035	–	–	10,035
Depreciation and amortisation	<u>12,071</u>	<u>23,142</u>	<u>2,724</u>	<u>409</u>	<u>38,346</u>

4. PROFIT FROM OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operation has been arrived at after charging:		
Amortisation of goodwill (included under administrative expenses)	1,475	1,216
Amortisation of intangible asset (included under administrative expenses)	502	373
Depreciation and amortisation of property, plant and equipment	52,386	34,033
Loss on disposal of property, plant and equipment	–	10,033
Impairment loss recognised in respect of investment in securities (included under other operating expenses)	<u>25,000</u>	<u>–</u>

5. FINANCE COSTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on		
Bank and other borrowings wholly repayable within five years	58,547	37,790
Bank and other borrowings not wholly repayable within five years	36,967	5,892
Amortisation of premium payable on redemption of convertible bonds	6,972	–
Amortisation of direct issuance costs of guaranteed senior notes	<u>1,270</u>	<u>–</u>
	103,756	43,682
Net gains on interest rate swaps	<u>(26,239)</u>	<u>–</u>
	77,517	43,682
Less: Amount capitalised to properties under development for sale	(41,438)	(33,327)
Amount capitalised to construction in progress	<u>(1,594)</u>	<u>–</u>
	34,485	10,355
Bank charges	<u>236</u>	<u>275</u>
	<u>34,721</u>	<u>10,630</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.2% (2003: 4.8%) to expenditure on qualifying assets.

6. TAXATION

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Taxation of the Company and its subsidiaries, PRC enterprise income tax	39,385	45,655
Share taxation of an associate	<u>–</u>	<u>2,999</u>
	<u>39,385</u>	<u>48,654</u>

No provision for Hong Kong profits tax has been made as the Group's income neither arises in, nor derived from, Hong Kong.

The tax rate applicable for all other PRC subsidiaries range from 15% to 33%.

Pursuant to relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The reduced tax rate for the relief period ranges from 12% to 16.5%. PRC enterprise income tax for the year has been provided for after taking these tax incentives into account.

7. DIVIDENDS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Ordinary Shares:		
Interim, paid – HK\$0.015 per share (2003: HK\$0.03)	34,781	57,276
Final, proposed – HK\$0.03 per share (2003: HK\$0.03)	70,353	57,460
	<u>105,134</u>	<u>114,736</u>

The final dividend of HK\$0.03 per share (2003: HK\$0.03 per share and a bonus issue of share on the basis of two bonus shares for every ten existing shares held by shareholders) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Earnings for the purposes of basic earnings per share	314,477	629,935
Effect of dilutive potential shares:		
Interest on convertible note	–	489
Adjustments to the share of results of subsidiaries based on dilution of their earnings per share	(14,560)	–
Earnings for the purposes of diluted earnings per share	<u>299,917</u>	<u>630,424</u>
	Number of shares	
Weighted average number of shares for the purposes of basic earnings per share	2,310,631,000	2,238,058,000
Effect of dilutive potential ordinary shares:		
Options	18,909,000	4,959,000
Convertible note	–	46,277,000
Weighted average number of shares for the purposes of diluted earnings per share	<u>2,329,540,000</u>	<u>2,289,294,000</u>

The weighted average number of shares for the purposes of basic and diluted earnings per share for 2003, and the comparative figures of basic and diluted earnings per share have been re-stated to take into account the effect of the two-for-ten bonus issue of shares during the year ended 31 December 2004.

The computation of diluted earnings per share in 2003 did not assume the exercise of the Company's outstanding share warrants as the exercise price of those warrants is higher than the average market price for the Company's shares of 2003.

The computation of diluted earnings per share in 2003 did not assume the conversion of the outstanding convertible bonds issued by Panva Gas as the conversion of those convertible bonds is anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing average credit terms ranging from 0 to 180 days to its customers. Included in trade and other receivables are trade receivables of HK\$306,885,000 (2003: HK\$193,176,000), the aged analysis of which is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Aged:		
0 to 90 days	303,752	136,789
91 to 180 days	841	47,109
181 to 360 days	1,798	3,743
over 360 days	494	5,535
	<hr/>	<hr/>
	306,885	193,176
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10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$105,381,000 (2003: HK\$126,235,000), the aged analysis of which is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Aged:		
0 to 90 days	74,595	108,256
91 to 180 days	6,482	2,203
181 to 360 days	9,258	1,836
over 360 days	15,046	13,940
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	105,381	126,235
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BUSINESS REVIEW

For the year ended 31 December 2004, the Group recorded a turnover of HK\$2,406.4 million representing an increase of 32.6% as compared to last year. Gross profit increased to HK\$650.6 million for the year ended 31 December 2004, an increase of 35.9% as compared to last year. The increase in gross profit was mainly attributable to the significant progress of the Group's gas fuel business, improved in the property development business and consolidation of the electricity business since December 2004. Net profit amounted to HK\$314.5 million, a reduction of 50.1% due to the lack of non-operational gain in 2004 as compared to 2003.

Property Development

For the year ended 31 December 2004, the Group recorded a turnover of HK\$478.3 million for the property development business, representing an increase of 44.5% as compared to last year. The Group sold a total floor area of 67,272 square metres during the year as compared to 50,034 square metres for last year. The increase in turnover was mainly attributable to the launch of *The Oasis* in July 2004. The turnover was mainly derived from the sales of *The Oasis*, which accounted for 69.5% of the total property sales for the year, representing 463 units (46,742 square metres) at an average selling price of RMB8,035. The remaining sales were derived from *The Mandarin House* and *the Sinolink No.8*, which accounted for 13.7% and 16.8% of property sales for the year, representing 108 units (9,187 square metres) and 89 units (11,343 square metres) at an average selling price of RMB6,901 and RMB8,839 respectively.

As at 31 December 2004, the Group has the following properties under development:

- (i) Sinolink Garden Phase Four, *The Oasis* is a 1,322 units development covering a total gross floor area of 140,868 square metres and a 20,619 square metres commercial development. The occupancy permit is expected to be granted by September 2005 and presale has started since July 2004.

- (ii) Sinolink Garden Phase Five is a development project with a total site area of 40,786 square metres and total gross floor area of 228,574 square metres. It is scheduled to complete its design and will commence construction in the second half of 2005.
- (iii) *The Mangrove West Coast* is a development project with a total site area of 75,101.8 square metres and total gross floor area of 249,300 square metres. This residential development project has completed the structural work as at 31 December 2004 and presale is expected to start in second quarter of 2005.

During the year under review, the Group sold its 82% equity interest held in a development project in Dameisha, Shenzhen to independent third parties for a consideration of HK\$66.2 million, resulting in a gain on disposal of HK\$3.9 million.

Gas Fuel Business

For the year ended 31 December 2004, the Group's gas fuel business, operated by Panva Gas Holdings Limited ("Panva Gas"), recorded turnover of HK\$1,800.3 million, representing an increase of 23.5% compared with last year. Gross profit increased by 16.3% to HK\$446.9 million. The continual improvement in the gross profit margin was due to the solid growths of its businesses as well as major breakthroughs in new project developments. While actively expanding new markets, Panva Gas also made further efforts to enhance the management of its subsidiary companies. Such efforts included the establishment of special task forces led by professionals to standardise the companies' management practices, to regenerate their operations and corporate culture, and to develop a business model for the optimum integration of its resources and activities.

The Gas Fuel business can be further divided into the wholesale and retail of LP Gas, the sale of Piped Gas and the gas pipeline development businesses. The turnover contribution from each of these activities amounted to HK\$858.6 million, HK\$412.5 million, HK\$66.5 million and HK\$431.6 million respectively and accounted for 47.7%, 22.9%, 3.7% and 24.0% respectively to the Panva Gas's total turnover.

Gas pipeline development continues to be an essential part of Panva Gas's business, which not only brings revenue at a higher gross profit margin but also facilitates the expansion of piped gas distribution. While making solid efforts to increase its penetration in the existing piped gas market, Panva Gas is also striving to obtain more piped gas projects by leveraging on the gas pipeline development business.

With diligent and coordinated efforts, Panva Gas has successfully implemented its project development plan laid down in early 2004. Eight new piped gas projects were secured during the year. Among them, three projects were located in the Changchun city of Jilin province, the Anshan city of Liaoning province, and the Qiqihar city of Heilongjiang province, which represented the major breakthroughs in the northeastern region in China following its years of preparation works. With the successful acquisition of these large and good quality projects, Panva Gas has gained major footholds for its strategic development in the northeastern region. The Changchun project is particularly significant, which provides Panva Gas further leverage in the PRC's gas fuel sector as well as an additional venue to tap the capital market.

Apart from these three projects, Panva Gas continued to make progress in the Sichuan province with five new projects acquired in the cities of Yuechi, Cangxi, Zhongjiang, Pengshan and Chengdu. Among them, the successful acquisition of a 13% interest in City of Chengdu Gas Company Limited represented a significant move of the Group for its strategic development in the Sichuan province. The acquisition of these five high quality projects during the year gives further evidence that Panva Gas has embarked on a solid track of rapid growth through mergers and acquisitions.

Electricity Generation

The electricity generation business of the Company is used to be conducted through one of its associate, Enerchina Holdings Limited (“Enerchina”), which had become the Company’s subsidiary since 3 December 2004. During the year ended 31 December 2004, Enerchina sold 1,473.0 million kWh of electricity, representing an increase of 54.7% as compared to 952.1 million kWh over last year and recorded turnover of HK\$856.4 million, an increase of 53.0% over last year. This increase mainly contributed by the increased demand for electricity in the PRC and the newly completed third combined cycle generating unit which commenced commercial production in September 2004. As the Group increased its stake in Enerchina on 3 December 2004, whereby electricity generation become one of our principal activities of the Group, this activity contributed turnover and operating profit of HK\$99.9 million and HK\$15.4 million respectively to the Group for the year.

Enerchina’s direct operating expenses increased slightly to HK\$665.1 million due to soaring fuel cost, which was our primary direct operating expense. The higher fuel cost was primarily due to the staggering high world oil price especially in the second half of 2004 in response to the various uncertainties encountered in the oil producing regions. In order to cope with this difficult situation, the management had carried out various remedial measures, including strengthening of fuel procurement and inventory control, so as to minimize the impact to the Group as a whole. The management considered the remedial measures effective and the result satisfactory.

Enerchina recorded a net profit of HK\$80.2 million. This remarkable performance was the results of the increase in power generation due to increased capacity, the strong demand for electricity in the PRC and the management’s effective cost control measures especially on the fuel supply.

CAPITAL MARKET TRANSACTIONS

On 8 January 2004, the Group completed the top-up placing arrangement which commenced in December 2003 by subscribing 155,200,000 new shares of Panva Gas bringing its interests in Panva Gas to 63.59% and raised HK\$600 million from this exercise for Panva Gas for the expansion of the gas fuel business.

On 19 April 2004, Enerchina completed an open offer of shares on the basis two offer shares for every existing share held. The Company through its wholly owned subsidiary, acted as the underwriter of the open issue and Enerchina raised HK\$600.5 million from this open offer for the purchasing of additional power generation units to increase its power generation capacity.

On 16 September 2004, the Company’s subsidiary, Panva Gas successfully issued guaranteed senior notes in an aggregate principal amount of US\$200 million due 2011 jointly arranged by Morgan Stanley & Co. International Limited and Merrill Lynch Far East Limited. The proceeds will be used to fund Panva Gas’s expansion in the piped gas business and the LP Gas business and as working capital.

On 16 November 2004, the Company placed 48,000,000 shares in Panva Gas to an independent third party and raised HK\$156 million from this placing for the working capital of the Group.

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%.

FINANCIAL POSITION

The Group’s total borrowings increased from HK\$1,234.7 million as at 31 December 2003 to HK\$4,381.7 million as at 31 December 2004. The increase is mainly due to the increase in bank and other loans and senior notes of US\$200 million raised by Panva Gas for the expansion of piped gas business. In addition, the total borrowings also increased due to the consolidation of the loans of Enerchina, which became a subsidiary of the Sinolink Group since December 2004.

The proportion of borrowings due within one year to total borrowings decreased from 54.2% to 18.5% and a long term borrowings to equity ratio of 145.4%. Bank borrowings are mainly used to finance the property development projects of the Group and the construction of the power plants and the convertible note, bonds and the senior notes due 2011 are used for the expansion of Gas Fuel business. The borrowings are mainly at floating interest rates.

Total assets pledged in securing these loans have a net book value of HK\$498.4 million as at 31 December 2004. The Group's borrowings are denominated in RMB, Hong Kong dollars and United State 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 swap entered into by Panva Gas 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 minimize such potential impact on the Group.

The Group's cash and cash equivalents amounted to HK\$3,618.7 million as at 31 December 2004 are mostly denominated in RMB, Hong Kong dollars and US dollars.

POST BALANCE SHEET EVENT

The Group entered into the Equity Transfer Agreement with, among others, an independent third party on 16 December 2004 to dispose of its wholly owned subsidiary, New China Control Systems Limited, which in turn holds 41 % equity interest in Xin Hua Control Engineering Co., Ltd. for a cash consideration of US\$23.5 million (HK\$182.83 million). Upon closing of the transaction, which is at the date of this announcement, the Enerchina Group will record a gain on disposal of HK\$95.9 million.

CAPITAL COMMITMENTS

As at 31 December 2004, the Group had capital commitments in respect of the acquisition of properties under development amounted to HK\$667.0 million, in respect of the acquisition of property, plant and equipment amounted to HK\$191.5 million and in respect of unpaid capital contribution of investment projects amounted to HK\$526.0 million.

EMPLOYEES AND REMUNERATION POLICIES

The Group remunerated its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. Other benefits, such as medical and retirement benefits, are also provided.

As at 31 December 2004, the Group had over 4,120 employees, an increase of 13.5% from last year and 99% of the Group's employees are located in the PRC.

CONTINGENT LIABILITIES

Guarantees given to banks as security for the mortgage loans arranged for the purchases of the Group's properties amounted to HK\$261.5 million.

A supplier filed an arbitration in August 2003 against Fuhuade Power Plant claiming for additional contract price in the amount of HK\$28.0 million. The arbitration is still in progress and the outcome of such cannot be ascertained. No provision for the amount claimed has been made by the Group as at 31 December 2004. Save as the outstanding arbitration, the Group has no material contingent liabilities as at 31 December 2004.

PROSPECTS

Property Development

With the positive response from the presale of *The Oasis* since July 2004 and the launch of *The Mangrove West Coast* this year, the gross floor area available for sale will increase substantially in 2005 and the Group plans to achieve the sales of all the remaining units of *The Oasis* and not less than 35% of *The Mangrove West Coast*.

On the macro side, the property prices in the PRC continued to rise with property prices in some provinces rises quicker and steeper than others. In view of the strong growth of the economy, the PRC government imposed several control measures to adjust its economy, one of them being raising its mortgage interest rate. The Board believed these macro-austerity measures had no significant negative impact on the current property development business of the Group. In fact, some consolidation of the industry has been seen in different regions in China, this will only make the property market to grow more steady and healthy and we expect this trend will continue in 2005.

Moving ahead, the Group will continue to seek its expansion in the property development business by increasing its land bank and actively exploring other potential projects in Shenzhen with a view to create value to shareholders.

Gas Fuel Business

The PRC economy has entered into a solid stage of rapid growth. With the further opening up of the energy sector, there will be a huge amount of new opportunities for the gas fuel industry. The Group believes that its businesses will continue to expand in 2005 and will derive additional benefits from its strong end-user customer bases in piped gas and LP Gas sales in cylinders.

In 2005, the Group will continue to strengthen its new project developments in Sichuan and the northeastern region in China, where those cities in which the Group has secured projects will be used as footholds to expand into the regions. The Group will also further expand the markets of its existing operations and to seek cooperation and integration opportunities with the enterprises in the gas fuel sector.

The Group will focus on parallel expansion of its piped gas business and the retail business of LP Gas in cylinders with an emphasis on the further development of their end-user customer bases. The Group will strive to exploit new opportunities in the PRC's major cities to further enhance its competitive advantages.

The Group will strive to enhance the management and operations of its member companies by making further efforts to integrate their resources, to better utilise their gas supply and end-user sales networks, and to further improve their safety standards.

Power generation

On our power generation business, we set our top priority to make sure that our fourth combined cycle generating unit with the installed capacity of 180,000 kilowatts will be completed and commenced commercial operation on or before target completion date of second quarter of 2005. We will be also conducting feasibility studies towards switching to the utilization of natural gas as fuel and to further expand its capacity to 1,500,000 kilowatts in response to the strong demand of electricity in the PRC. On the other hand, we will continue to seek other means of energy production opportunities to diversify our investment by exploring new projects both through Greenfield projects as well as suitable acquisition targets in the regions where strong demand for energy exists.

On the operational side, the soaring oil price continues to pose challenges to the management in the coming year. While the management monitors closely the oil price movement in the world market, other measures like enforcing stringent control over the inventory level and further strengthen the procurement procedures to control over our fuel costs will also be implemented. In addition, regular maintenance and periodical overhauls will also be carried out to achieve a safe and stable supply of electricity.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchased, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the year.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in Appendix 14 to the Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which was in force prior to 1 January 2005.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the 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 is Mr. Xin Luo Lin, Mr. Davin MacKenzie and Mr. Li Zhi Xiang. 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.

FINAL DIVIDEND

The Directors have recommended to declare a final dividend of HK\$0.03 (2003: HK\$0.03 and bonus shares of 2 for 10 shares held) per share in respect of the year ended 31 December 2004. Upon approval by the shareholders of the Company on the forthcoming annual general meeting, the final dividend will be paid on or before 25 May 2005 to shareholders whose names appear on the register of members of the Company on 18 May 2005.

CLOSURE OF REGISTER OR MEMBERS

The register of members will be closed from Thursday 12 May 2005 to Wednesday 18 May 2005, 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, 11 May 2005.

PUBLICATION OF ANNUAL RESULTS

All the information as required by paragraph 45(1) to 45(3) of Appendix 16 to the Listing Rules (in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting period commencing before 1 July 2004 under the transitional arrangements), will be published on the website of the Stock Exchange in due course.

APPRECIATION

I would like to thank members of Board for their trust and support and continuous efforts of our business associates for seamless cooperation. Furthermore, I would like to extend my gratitude to our diligent staff for their devoted efforts and hard work during the past year.

By Order of the Board
Tang Yui Man Francis
Chief Executive Officer

As at the date of this announcement, the Board comprises:

Executive Directors:

Ou Yaping (*Chairman*)
Tang Yui Man Francis (*Chief Executive Officer*)
Chen Wei
Law Sze Lai

Independent Non-executive Directors:

Li Zhi Xiang
Xin Luo Lin
Davin A. Mackenzie

Hong Kong, 31 March 2005

Website: <http://www.irasia.com/listco/hk/sinolink>