



CHAIRMAN'S STATEMENT

I am pleased to announce that Guo Xin Group Limited (the "Company") and its subsidiaries (the "Group") completed its reorganization and achieved a growth in its businesses for the year ended 30 June 2002.

The Group's turnover for the year ended 30 June 2002 amounted to HK\$19,937,000 (2001: HK\$3,755,000), representing an increase of 4.3 times as compared with last year. Profit attributable to the shareholders amounted to HK\$125,032,000 (2001: loss of HK\$60,529,000). The Group's total assets and net assets were HK\$163,097,000 (2001: HK\$29,877,000) and HK\$162,221,000 (2001: net liabilities HK\$182,968,000) respectively, representing an increase of HK\$133,220,000 and HK\$345,189,000 respectively as compared with last year.

BUSINESS REVIEW

After the completion of the restructuring during the past year, which optimised the assets of the Group and reduced its liabilities, the Group was successfully transformed into a debt-free entity having HK\$162,221,000 net assets as at 30 June 2002, from a company with net liabilities of HK\$182,968,000. At the same time, the Group's business development strategy and objectives were clarified, and aiming to be a diversified enterprise from a single trading Company, with core businesses of trading and travel related services. Furthermore, the Group will expand to the retail, technology and entertainment businesses.

During the year, the Group focused on the trading of consumer goods in Hong Kong, including sports merchandise, photographic

equipment and brand-name audio-visual products. Simultaneously, the Group expanded its operation into commodity futures trading in the People of Republic China (the "PRC") in order to increase the overall return of the trading business. On the other hand, to couple with the development of tourism industry in Hong Kong and the PRC, the Group endeavoured to enrich its website in order to attract more tourists and to establish a solid foundation for the challenging but optimistic future.

Apart from the improvement and diversification of its business development, the Group had also completed its asset optimisation and debt settlement, paving the way for the Group's future financing for its business development.

PROSPECTS

The economy in the PRC keeps on growing with a strong domestic consuming power. Its GDP in 2001 reached RMB9,593.3 billion, an increase of 7.3% compared with that in 2000; while GDP in the second quarter of 2002 also grew 7.8% comparing with the corresponding period last year. Coupled with the favourable macro-economic factors in the PRC such as its successful accession to the World Trade Organisation ("WTO") and hosting of the 2008 Olympic Games, the Group will be greeted with enormous business opportunities. The Group will certainly seize the golden opportunities associated with the substantial growth in the PRC market to expand its diversified operations.

Looking ahead, the Group will continue to put more resources in developing the existing trading business and actively establish



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partnership with existing and potential customers. In addition, the Group will vigorously seek quality partners to form strategic alliance to complement its existing business. Besides, the Group will seek to secure dealership in international consumer products to develop its retail operation. The Group will actively plan for retail chain business by establishing a supermarket chain in the PRC in order to benefit from the huge PRC market.

With the PRC's open-door policy and reform as well as the establishment and development of its socialist market economy, a futures market shall be developed to facilitate the country's economy growth. Nonferrous metal industry is one of the earliest PRC industries exposed to market operation. The prices of nonferrous metals have been completely open in the PRC since 1994 and there is a need to avoid exposure to nonferrous metal's price fluctuation. On the other hand, Shanghai Futures Exchange, London Metals Exchange and The Commodities Exchange in New York have become three major trade centers for nonferrous metals. The potential of the nonferrous metal futures market cannot be neglected. In view of this, the Group will make use of the merits of the nonferrous metal futures market, to increase the overall earnings and revenue of the Group.

For the development of the travel related operations, according to the latest statistics announced in August of this year by Hong Kong Tourism Board, the number of visitors to Hong Kong in July reached a month-to-month new high of 1,360,000, surging 16.5% over the

same month of last year. In order to encourage spending from foreign tourists in Hong Kong, the government continuously explores new scenic spots and implements a series of major promotional campaign. After the opening of Disney Park in 2005, the number of tourists to Hong Kong is expected to set a new record. In addition, with the PRC's accession to WTO, the economic activities between the PRC and Hong Kong have become increasingly frequent. The demand for air ticket booking and hotel reservation services as well as service apartments is rising, especially for travel to major Chinese cities. Thus, the Group will invest more resources in this area, step up the establishment and development of self-operating service apartments and accelerate business growth through mergers and acquisitions.

Further, the Group will develop other internet and entertainment businesses by making effective use of its resources in technology.

I am confident that the Group will continue to succeed and the projects and expansion plans of the Group will enhance the growth and value for the shareholders. I would like to take this opportunity to extend my gratitude to all Board directors and staff of the Group for their support and continuous efforts.

Zhang Yang
Chairman

Hong Kong, 17 October 2002