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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhang Yang (Chairman)
Mr. Lam Cheung Shing, Richard
Mr. Yu Rui

Independent Non-Executive Directors

Mr. Tam Sun Wing
Mr. Tso Shiu Kei, Vincent

AUDIT COMMITTEE

Mr. Tam Sun Wing
Mr. Tso Shiu Kei, Vincent

COMPANY SECRETARY

Mr. Yip Kar Hang, Raymond

HEAD OFFICE AND PRINCIPAL PLACE

Room 4101, 41st Floor
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

PRINCIPAL BANKERS

International Bank of Asia Limited
The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China
(Asia) Limited

SOLICITORS

Preston Gates & Ellis
To, Lam & Co.

AUDITORS

Deloitte Touche Tohmatsu

SHARE REGISTRARS

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REGISTERED OFFICE

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Certified Public Accountants
26/F, Wing On Centre
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**Deloitte
Touche
Tohmatsu**

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF GUO XIN GROUP LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 4 to 15.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 December 2002.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 17 March 2003

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

	Notes	2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Turnover	3	1,358	17,630
Cost of sales		(408)	(17,618)
Gross profit		950	12
Other operating income		629	183
Gain on disposal of investments in securities		3,121	–
Unrealised loss in respect of investments in securities		(3,985)	–
Administrative expenses		(8,249)	(9,497)
Loss from operations	4	(7,534)	(9,302)
Finance costs		(4)	–
Gain arising from waiver of the creditors' indebtedness	5	–	138,897
(Loss) profit before taxation		(7,538)	129,595
Taxation	6	–	–
Net (loss) profit for the period		(7,538)	129,595
(Loss) earnings per share	7		
Basic		HK(0.27) cents	HK23.48 cents
Diluted		N/A	HK17.30 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2002

	Notes	31.12.2002 HK\$'000 (unaudited)	30.6.2002 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		1,166	766
Investment deposit	8	80,000	–
Investments in securities	9	650	650
		81,816	1,416
Current assets			
Accounts receivable	10	66	–
Investments in securities	9	29,080	–
Prepayments, deposits and other receivables	11	561	155,004
Deposits with banks and other financial institutions		116,803	6,677
		146,510	161,681
Current liabilities			
Accounts payable	12	7	–
Other payables and accrued charges		353	876
Other borrowing	13	19,961	–
Amount due to a director	14	6,000	–
		26,321	876
Net current assets		120,189	160,805
		202,005	162,221
Capital and reserves			
Share capital	15	312,318	268,618
Reserves		(110,313)	(106,397)
		202,005	162,221

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

	Share capital	Share premium	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2001	48,618	114,223	–	(345,809)	(182,968)
Shares issued at par	55,000	–	–	–	55,000
Net profit for the period	–	–	–	129,595	129,595
At 31 December 2001	103,618	114,223	–	(216,214)	1,627
Shares issued at par	165,000	–	–	–	165,000
Net loss for the period	–	–	–	(4,563)	(4,563)
Exchange differences arising on translation of overseas operations not recognised in income statement	–	–	157	–	157
At 30 June 2002	268,618	114,223	157	(220,777)	162,221
Shares issued at premium	43,700	4,370	–	–	48,070
Shares issue expenses	–	(748)	–	–	(748)
Net loss for the period	–	–	–	(7,538)	(7,538)
At 31 December 2002	312,318	117,845	157	(228,315)	202,005

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

	2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Net cash used in operating activities	(7,027)	(9,896)
Net cash from investing activities	43,870	–
Net cash from (used in) financing activities	73,283	(18,948)
Increase (decrease) in cash and cash equivalents	110,126	(28,844)
Cash and cash equivalents at the beginning of the period	6,677	29,877
Cash and cash equivalents at the end of the period	116,803	1,033

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2002, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas subsidiary at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiary are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

3. SEGMENT INFORMATION

Business segments

	Trade		Travel		Total	
	related operations		related operations			
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	931	17,520	427	110	1,358	17,630
Segment results	(104)	(1,474)	12	(16)	(92)	(1,490)
Unallocated corporate expenses					(6,578)	(7,812)
Gain on disposal of investments in securities					3,121	–
Unrealised loss in respect of investments in securities					(3,985)	–
Finance costs					(4)	–
Gain arising from waiver of the creditors' indebtedness					–	138,897
(Loss) profit before taxation					(7,538)	129,595
Taxation					–	–
Net (loss) profit for the period					(7,538)	129,595

Geographical segments

	Hong Kong		People's Republic of China (other than Hong Kong) ("PRC")		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	427	17,630	931	–	1,358	17,630
Segment results	(7,585)	(9,302)	51	–	(7,534)	(9,302)
Finance costs					(4)	–
Gain arising from waiver of the creditors' indebtedness					–	138,897
(Loss) profit before taxation					(7,538)	129,595
Taxation					–	–
Net (loss) profit for the period					(7,538)	129,595

4. LOSS FROM OPERATIONS

	2002	2001
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Depreciation	229	–
Interest income	(479)	(183)
Net exchange gain	(151)	–

5. GAIN ARISING FROM WAIVER OF THE CREDITORS' INDEBTEDNESS

On 10 December 2001, upon the completion of the restructuring agreements dated 2 August 2001, the creditors' indebtedness of the Company, including convertible bonds and amounts due to all other creditors of the Company as at 16 February 2001 was discharged in full by way of a cash payment of HK\$72,500,000 on a pro-rata basis, which resulted in a profit of approximately HK\$138,897,000.

6. TAXATION

No provision for profits tax has been made as the Group incurred a tax loss for the period.

The Group did not have any significant unprovided deferred taxation for the period or unprovided deferred tax asset or liability at the balance sheet date.

7. (LOSS) EARNINGS PER SHARE

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

	2002	2001
	HK\$'000	HK\$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	(7,538)	129,595

	2002	2001
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,818,464	551,944
Effect of dilutive warrants	N/A	197,283
Weighted average number of ordinary shares for the purpose of diluted earnings per share	N/A	749,227

The weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share has been adjusted for the share consolidation on 25 November 2002. Details of the share consolidation are set out in note 15.

8. INVESTMENT DEPOSIT

The amount represents deposit paid for the acquisition of the entire issued share capital of Wealth Sea Investment Limited ("Wealth Sea") pursuant to the conditional agreement dated 15 November 2002 (note 19(2)). Wealth Sea is a company incorporated in the British Virgin Islands and engaged in the business of property investment in the PRC. Details of the acquisition are set out in the circular dated 10 December 2002.

9. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	31.12.2002	30.6.2002	31.12.2002	30.6.2002	31.12.2002	30.6.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities:						
Listed in Hong Kong	–	–	29,080	–	29,080	–
Unlisted	650	650	–	–	650	650
	650	650	29,080	–	29,730	650
Market value of listed securities	–	–	29,080	–	29,080	–
Carrying amount analysed for reporting purposes as:						
Non-current	650	650	–	–	650	650
Current	–	–	29,080	–	29,080	–
	650	650	29,080	–	29,730	650

10. ACCOUNTS RECEIVABLE

The Group allows an average credit period of 30 days to its trade customers. The aged analysis of accounts receivable is as follows:

	31.12.2002	30.6.2002
	HK\$'000	HK\$'000
1 – 30 days	15	–
31 – 60 days	4	–
60 – 90 days	47	–
	66	–

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

For the year ended 30 June 2002, included in prepayments, deposits and other receivables was an amount of approximately HK\$150,943,000 which represented monies (the "Trust Monies") placed with a company incorporated in the PRC (the "Assets Management Company"), which is an independent third party, and is engaged in the business of assets management. Pursuant to a trust agreement entered into between Guo Chin International Trading (Shanghai) Company Limited (國欽國際貿易(上海)有限公司) ("Guo Chin"), a wholly-owned subsidiary of the Company, and the Assets Management Company on 19 June 2002, the Assets Management Company guaranteed Guo Chin a return of at least 6 percent per annum from the Trust Monies placed with it during the period from 19 June 2002 to 18 July 2002. The Trust Monies were received by the Company during the period with an investment return of 6 percent per annum.

12. ACCOUNTS PAYABLE

At the balance sheet date, the Group's accounts payable were current within their respective terms of credit and there were no significant overdue amounts.

13. OTHER BORROWING

The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

Subsequent to the balance sheet date, the amount was fully repaid.

14. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

15. SHARE CAPITAL

	Notes	Number of shares '000	Share capital HK\$'000
Ordinary shares, issued and fully paid:			
At 1 July 2001, shares of HK\$0.01 each		4,861,831	48,618
Issue of shares		5,500,000	55,000
At 31 December 2001, shares of HK\$0.01 each		10,361,831	103,618
Exercise of warrants		16,500,000	165,000
At 30 June 2002, shares of HK\$0.01 each		26,861,831	268,618
Issue of shares	(1)	4,370,000	43,700
Share consolidation, shares of HK\$0.10 each	(2)	(28,108,648)	–
At 31 December 2002, share of HK\$0.10 each		3,123,183	312,318

Notes:

(1) Issue of shares

On 18 October 2002, an agreement was made for a placing and subscription of 4,370,000,000 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.011 per share, which represented a discount of approximately 8.33% to the closing price per share of HK\$0.012 as quoted on the Stock Exchange on 17 October 2002 and a discount of approximately 11.29% over the average closing price of the shares for the last ten trading days of HK\$0.0124 per share.

The net proceeds of the placing was intended to be used as working capital and as funding potential investment projects as and when suitable opportunities arise.

These shares ranked pari passu with all other shares in issue in all respects.

(2) Share consolidation

Pursuant to the circular dated 7 November 2002, every ten issued shares of HK\$0.01 each in the capital of the Company were consolidated into one new share of HK\$0.10 each. Accordingly, on this basis, issued share capital of approximately HK\$312,318,000 is divided into approximately 3,123,183,000 shares of HK\$0.10 each upon the share consolidation.

16. RELATED PARTY TRANSACTIONS

- (1) Pursuant to a placing agreement dated 18 October 2002 entered into between the Company and Interchina Securities Limited (“Interchina”) in which Mr. Zhang Yang, a director of the Company, has a beneficial interest, Interchina agreed to procure for the placing and subscription of 4,370,000,000 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.011 per share and the Company agreed to pay a placing fee of approximately HK\$721,000 to Interchina upon the completion of the placing on 6 November 2002.
- (2) Apart from the amount due to a director disclosed in the balance sheet, the Group entered into the following related party transactions:

	Related companies in which Mr. Zhang Yang is the controlling shareholder	
	2002	2001
	HK\$'000	HK\$'000
Service income from the travel related business	253	–
Commission and brokerage charges	(188)	–

These transactions were transacted at prices agreed between the parties and in accordance with the relevant agreements governing the transactions.

17. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of office premises which fall due as follows:

	31.12.2002	30.6.2002
	HK\$'000	HK\$'000
Within one year	1,054	1,100
In the second to fifth year inclusive	–	504
	1,054	1,604

Leases are mainly negotiated for an average term of three years and rentals are fixed for an average of three years.

18. CAPITAL COMMITMENT

	31.12.2002	30.6.2002
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of Wealth Sea contracted for but not provided in the financial statements	23,000	—

19. POST BALANCE SHEET EVENTS

- (1) On 10 December 2002, a conditional agreement was made for a placing and subscription of 624,000,000 new ordinary shares of HK\$0.10 each in the Company at a price of HK\$0.10 per share, which represented the closing price of HK\$0.10 as quoted on the Stock Exchange on 9 December 2002 and a premium of 1.0% over the average closing price of the shares for the last ten trading days of HK\$0.099 per share.

The net proceeds of the placing was intended to be used for the development of its business in trading motor cars and related parts and accessories and the balance is used as working capital. The placing was completed on 8 January 2003.

- (2) Pursuant to a conditional agreement dated 15 November 2002 (the "Agreement") entered into between the Company and Mr. Zheng You Ping, the Company should acquire the entire issued share capital of Wealth Sea at a cash consideration of HK\$103,000,000. Pursuant to a supplemental agreement dated 3 January 2003 entered into between the same parties, the number of properties owned by Wealth Sea prior to the completion of the Agreement be reduced from 64 units to 61 units and the gross floor areas be reduced from approximately 10,112 square meters to 9,560 square meters and the consideration payable by the Company to Mr. Zheng You Ping be reduced to approximately HK\$97,371,000. The transaction was completed on 3 January 2003.
- (3) Pursuant to an agreement dated 13 January 2003 entered into between the Company and Mr. Zheng You Ping, the Company shall acquire the entire issued share capital of Trend Glory Investments Limited ("Trend Glory") at a cash consideration of approximately HK\$155,229,000. Trend Glory is a company incorporated in the British Virgin Islands and engaged in the business of property investment in the PRC.
- (4) Subsequent to the balance sheet date, the Group disposed of the other investments amounting to approximately HK\$29,080,000 at the balance sheet date for a total consideration of approximately HK\$22,170,000, resulting in a loss on disposal of investments in securities of approximately HK\$6,910,000.

INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 31 December 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover and net loss for the six months ended 31 December 2002 (the "Period") amounted to HK\$1,358,000 (2001: HK\$17,630,000) and HK\$7,538,000 (2001: profit HK\$129,595,000) respectively. The profit of the year 2001 was attributed to the waivers of creditors indebtedness of HK\$138,897,000 due to the restructuring of the Group in that year.

As at 31 December 2002, total assets and net assets of the Group were HK\$228,326,000 (30 June 2002: HK\$163,097,000) and HK\$202,005,000 (30 June 2002: HK\$162,221,000) respectively, representing a growth of 40.0% and 24.5% respectively over those as at 30 June 2002.

The group has adopted a prudent policy on financial risk management. Since the Group mainly developed its business in the PRC and Hong Kong during the Period, there was no significant fluctuations in the exchange rate of Renminbi against Hong Kong dollar. Accordingly, the Group did not have material risk in foreign exchange fluctuations, and there was no corresponding hedging provision. The Group had neither used any financial instrument for hedging purposes, nor used any instrument for hedging against foreign currency investment.

BUSINESS REVIEW

Trade Related Operations

China Operations

The wholly owned subsidiary set up by the Group in Shanghai – Guo Chin has started to operate. This has helped the Group to develop its trading business in PRC. During the Period, Guo Chin recorded a turnover of HK\$931,000 to the Group.

Hong Kong Operations

During the Period, despite the downturn of the economy of Hong Kong, the Group continued to explore business opportunities in trading of consumer goods including sports merchandise, photographic equipment and brand-name audio-visual products. At the same time, the Group sought to compliment its operations in commodity trading in PRC in order to increase the overall return of the trading business. In addition, the Group proactively identified quality partners to form strategic alliance to complement its existing business.

Travel Related Operations

During the Period, the Group recorded a turnover of HK\$427,000 (2001:HK\$110,000), representing an increase of 2.9 times over the same period last year. To couple with the development of the tourism industry both in Hong Kong and the PRC, the Group will continue to identify suitable business opportunities and adopt conservative principles to broaden its market with diversified travelling services to ensure promising prospects.

With the success in the bid for the hosting of the EXPO 2010 in Shanghai, it is expected that the tourism industry in Shanghai will continue to prosper in the coming years. The Group, through acquiring Wealth Sea, a company incorporated with limited liability in the British Virgin Islands, in November 2002, has enhanced the construction and development of its self-operated service apartments, in order to compliment the existing travel-related operations and further provide full range tourism services in the PRC. The agreement for acquisition of Wealth Sea was completed on 3 January, 2003. Wealth Sea is principally engaged in operating serviced apartments in Yangpu District, Shanghai. Through the acquisition, the Group successfully acquired high quality properties in Yangpu district, Shanghai, which has made a great step forward in its operation of self-operated service apartments.

Prospects

With the PRC's successful accession to World Trade Organisation ("WTO") and hosting of the 2008 Olympic Games, the economy of the Mainland and the spending power of its people continues to grow, which will bring unlimited business opportunities to the Group. The Group will continue to put more resources to develop its existing trading business and actively establish good partnership with potential customers.

Since 2002, the PRC has started to grant quotas in respect of imported motor cars. Coupled with the PRC's accession to WTO, the PRC will have greatest growth rate in the global car market. In order to capture this business opportunity, the Group made an arrangement of trust in February 2003, pursuant to which it has successfully acquired Shanghai Shi Mei Ke Motorcar Company Limited ("Shi Mei Ke") through a trust company in the PRC. Shi Mei Ke is principally engaged in import and export trading of motorcars as well as its components and parts. The Group hopes to enhance its trading business in the PRC and increase the operation revenue through this investment.

The Group will continue to expand its scope of travel related services, while boosting this business and accelerating its development by acquisition. Besides, the Group will continue the development of serviced apartments. In respect of this, following the properties acquired last year, the shareholders of the Group agreed to acquire another company incorporated with limited liability in the British Virgin Islands – Trend Glory in the special general meeting held on 13 March 2003 (the "Meeting"). The Group will further acquire high quality properties at prime locations in Yangpu district, Shanghai so that on the one hand it is able to compliment its existing travel related business for further provision of full range tourism services in the PRC, and on the other hands the Group will also be able to appreciate capital gain from the booming property market in Shanghai.

In addition to this, with a view to maximizing the return on the assets of the Group and benefiting on the robust property market in the PRC, one of the fastest growing country in Asia, the shareholders of the Group passed an resolution concerning the expansion of the business of the Group in the Meeting. The Group will proceed with properties development and investment for more effective return to its shareholders when opportunities arise.

Liquidity and Financial Resources

As at 31 December 2002, the Group's cash on hand and deposits with banks and other financial institutions totalled HK\$116,803,000 (30 June 2002: HK\$6,677,000), representing an increase of 16.5 times as compared with the balance as at 30 June 2002. This comprised Hong Kong dollar deposits of HK\$21,452,000 and RMB deposits of 101,072,000 respectively. The operating capital of the Group (net current assets) amounted to HK\$120,189,000 (30 June 2002: HK\$160,805,000), representing an decrease of 25.3% over that as at 30 June 2002. Current ratio (current assets/current liabilities) was 5.7 times.

As at 6 November 2002, the Company placed 4,370,000,000 new shares at a price of HK\$0.011 per share, representing 16.3% of the entire issued shares capital at that time. The net proceeds amounted to approximately HK\$47,316,000. On 8 January, 2003, the Company placed 624,000,000 new shares at the placing price of HK\$0.10 per share, representing 20.0% of the Company's enlarged issued share capital. The net proceeds amounted to approximately HK\$62,080,000. Among the net proceeds stated above, approximately HK\$17,371,000 was used to settle the partial consideration for acquiring Wealth Sea, approximately HK\$60,000,000 was used as a partial deposit of acquiring the entiring shareholding in Trend Glory, and the remaining balance will be used for the development of its business in trading motor car and related parts and accessories and as working capital of the Group.

Capital Commitment and Contingent Liabilities

As at 31 December 2002, the Group has no other material capital commitment and contingent liabilities.

Charges on Group Assets

Neither the Company nor any of its subsidiaries has any charge of the assets as at 31 December 2002.

Employee Remuneration Policy

As at 31 December 2002, the Group had a total of 15 employees in the PRC and Hong Kong. The staff costs amounted to HK\$4,337,000 (2001: HK\$810,000). In order to remain competitive, the salary and bonus of the staff are based on their individual performance.

DIRECTORS' INTEREST IN SHARES

As 31 December 2002, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of director	Personal Interest	Corporate Interest
Mr. Zhang Yang	–	750,000,000 (Note)

Note: The ordinary shares were held through Sourcebase Developments Limited, which is 100% owned by Mr. Zhang Yang.

SHARE OPTION

The Company has an executive share option scheme adopted on 17 April 2002 under which executive directors and employees of the Company or any of its subsidiaries may be granted options to subscribe for shares in the Company.

As at 31 December 2002, none of the Directors of the Company hold any of the share options.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or the chief executive, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Period.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of a director, the Company has not been notified of any other interests representing 10% or more in the issued share capital of the Company as at 31 December 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2002.

AUDIT COMMITTEE

The Audit Committee has reviewed, with management and external auditor, the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 31 December 2002.

CODE OF BEST PRACTICE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 December 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

By order of the Board

Zhang Yang

Chairman

Hong Kong, 17 March 2003