I am pleased to announce that Guo Xin Group Limited (the "Company") and its subsidiaries (the "Group") recorded turnover for the year ended 30 June 2003 amounting to HK$3,993,000 (2002: HK$19,937,000), and audited loss attributable to shareholders amounting to HK$24,129,000 (2002: profit of HK$ 125,032,000). The Group's total assets and net assets were HK$295,429,000 (2002: HK$163,097,000) and HK$265,314,000 (2002: HK$162,221,000) respectively, representing an increase of HK$132,332,000 and HK$103,093,000 respectively as compared with last year.

BUSINESS REVIEW

Following completion of the restructuring during the past year, the Group was committed to business development and reorganization and exploration of high return investment projects. The placing of new shares and share consolidation helped to streamline as well as strengthen the Group's capital structure which formed the framework for its future development.

During the year, the Group was committed to the trade related operations, travel related operations and property investments. The Group had successfully acquired 上海時美科汽車有限公司 ("Shi Mei Ke") in the People's Republic of China ("PRC") which was engaged in import and export trading of motor vehicles, motorcycles and the related components and parts, through a PRC trust company in February 2003. The investment has strengthened the development of the Group's trading business in the PRC and enhanced the Group's operating revenue.

To cope with the rapid development of the tourism industry in the PRC, the Group had acquired a number of high quality properties in Shanghai for its own operation of service apartments during the year. This enables the Group to expand its travel related business from online air ticketing and hotel reservations to operation of service apartments, building up a solid foundation for the challenging but optimistic future.

PROSPECTS

Trade Related Operations

With the successful accession of the PRC to the World Trade Organisation ("WTO") and the hosting of the 2008 Olympic Games, its economy and consumer spending continue to grow. According to the latest statistics from the State Statistical Bureau of the PRC, the GDP for the first half of 2003 recorded a robust growth of 8.2% over the same period last year, indicating a strong impetus to growth. Despite the outbreak of SARS during the period, its impact on the PRC economy was only temporary and insignificant.

With the rapid development of the Mainland economy, the demand for motor vehicles in the Mainland has been increasing. According to the statistics of the Customs Department, the various kinds of motor vehicles imported to China for the six months ended June 2003 amounted to US$2.466 billion, representing an increase of 95.9% over the corresponding period last year. The data from the State Statistical Bureau also showed that the number of motor vehicles sold nationwide from January to April 2003 reached 1.36 million, making the motor vehicle industry become the fifth largest industry in the PRC in terms of revenue. The motor vehicle production chain business will be one of the most promising industries in this country. All these positive factors will create a favorable environment for our import and export operations of motor vehicles and related components. Therefore, the Group will continue to put more resources to develop its trading activities in the PRC so as to benefit from the growth of this enormous market.

Travel Related Operations

In order to support our local economy, the Chief Executive of Hong Kong announced in April that the Government would spend HK$1 billion in large scale international and local promotional campaigns to boost the confidence of the international community in Hong Kong as the business center and travel hub of the Asia Pacific region, as well as to accelerate the recovery of our economic activities. Furthermore, with the increasing number of individual travellers from the Mainland, it is expected that the number of tourists to Hong Kong will set new records. On the other hand, with the accession of the PRC to the WTO and the hosting of the EXPO 2010 in Shanghai, it is expected that tourism in the Mainland will continue to flourish vigorously. Also, as the economic ties between the Mainland and Hong Kong become closer, the demand for air ticketing, hotel reservation service as well as service apartments will rise accordingly.

In light of this, the Group will continue to step up the development of its travel related business, enhance the contents of its website to attract more visitors. In addition, the Group will expand further the scope of travel services, continue to develop its service apartment operation for the provision of full range tourism services in the PRC. Meanwhile, it will also generate higher capital gains from the booming property market in Shanghai.

Property Investments

With a view to maximizing the return on assets of the Group and benefiting from the robust property market of the PRC, the fastest growing market in Asia, the Group will engage in property development and investment as and when suitable opportunities arise apart from acquisition of service apartments in the Mainland. Such development plan has been endorsed by the passing of a resolution of the shareholders at the general meeting held on 13 March 2003.

Looking ahead, the Group will continue to develop its businesses on the foundation built in 2003. In the meantime, the Group will focus on the improvement of its operating efficiency, enhancement of productivity and exploration of new business opportunities. It will also actively create closer partnership with its existing and potential customers. The Group is confident that it will continue to post remarkable results in the future. Its investment and expansion plans are expected to greatly enhance shareholders' value.

ACKNOWLEDGEMENTS

I would like to take this opportunity to extend my gratitude to all fellow directors and staff of the Group for their enthusiastic support and continuous efforts.

By order of the Board
Zhang Yang
Chairman

Hong Kong, 16 October 2003