

I am pleased to announce that Guo Xin Group Limited (the “Company”) and its subsidiaries (the “Group”) recorded a turnover of HK\$160,960,000 (2003: HK\$3,993,000) and an audited loss attributable to shareholders of HK\$7,182,000 (2003: HK\$24,129,000) for the year ended 30 June 2004. The Group’s total assets and net assets were HK\$441,365,000 (2003: HK\$295,429,000) and HK\$257,860,000 (2003: HK\$258,349,000) respectively, representing an increase of HK\$145,936,000 and a decrease of HK\$489,000 respectively as compared with last year.

## TRADE OPERATIONS

In the second quarter of 2004, China generated a Gross Domestic Product (“GDP”) of RMB5,878.8 billion, an increase of 9.7% from the same period last year. Benefiting from the PRC’s robust economic growth, the Group’s trade operations recorded sales of HK\$152,770,000 in the current year, representing an increase of 62.3 times from last year. Riding on the ongoing economic vigour of the PRC, the domestic trading market is expected to move ahead at full throttle. With this in view, the Group will continue to invest more resources in developing its China trade operations and in exploring additional investment opportunities.

## TRAVEL RELATED OPERATIONS AND INVESTMENTS

After the Mainland/Hong Kong Closer Economic Partnership Arrangement (“CEPA”) was signed by the PRC and Hong Kong governments, cross-border economic activities have been booming. Besides, the increasing number of mainland travellers visiting Hong Kong under the Individual Visit Scheme is driving more profits of the travel related operations like online air ticket and hotel reservation services.

Under the continued economic development and the implementation of more open policy in the PRC, the Shanghai government held the Grand Prix Formula One for the first time this year. In 2010 it will even hold the World Expo and in 2008 Beijing is to become a maiden host for the Olympic Games. These activities set to cause material changes in the demand for the tourism industry, hotel and serviced apartments. Currently, the Group is actively expanding the scope of its China travel related operations to the operation of serviced apartments and hotel.

Last year the Group acquired 157 suites of serviced apartments in Yangpu District, Shanghai, leading to a substantial increase in its rental income. In order to enhance its service quality and better meet market demand, the Group intends to invest RMB30 million in renovating and modernising such serviced apartments. In August this year, the Group acquired a piece of land in Shanghai covering an area of around 4,902 square metres, planned to be developed into a hotel or serviced apartments.

# Chairman's Statement

## CONCLUSION

The continued development of the China economy and the increasing cross-border economic activities following the signing of the CEPA will bring enormous new business opportunities to the Group. To capture such opportunities, the Group will focus on property investment, the operation of hotel, and catering businesses in large cities in China, in particular, it will concentrate on infrastructure investments of ancillary facilities in those regions of western China with deep cultural roots, abundant natural and travel resources. At the same time, the Group will extend its scope of business from trade operations to industrial investments. It will leverage its access to the capital market in Hong Kong to develop and integrate its businesses in an innovative manner. The Group intends to build up a complete value chain in order to maximize the investment returns of shareholders.

## ACKNOWLEDGEMENTS

I would like to take this opportunity to express my gratitude to fellow members on the board and all the staff of the Group for their enthusiastic support and dedicated efforts.

By order of the Board

**Zhang Yang**

Chairman

Hong Kong, 18 October 2004