

CHAIRMAN'S STATEMENT

I am pleased to announce that Guo Xin Group Limited (the "Company") and its subsidiaries (the "Group") recorded a turnover of HK\$122,067,000 (2004: HK\$160,960,000) and an audited loss attributable to shareholders of HK\$67,066,000 (2004: HK\$7,182,000) for the year ended 30 June 2005. The loss attributable to shareholders for the year was mainly comprised of the revaluation deficit arising from the properties in Shanghai amounting to approximately HK\$47,143,000 and the amortization of goodwill of approximately HK\$19,200,000 for the year. The Group's loss attributable to shareholders for the year would be HK\$723,000 if these two factors are excluded. Total assets and net assets of the Group were HK\$479,697,000 (2004: HK\$441,365,000) and HK\$261,701,000 (2004: HK\$257,860,000) respectively, representing an increase of HK\$38,332,000 and of HK\$3,841,000 respectively as compared with the corresponding period last year.

TRAVEL RELATED PROPERTY INVESTMENTS

Under the continued economic development and the implementation of more open policy in the PRC, Beijing, for the first time, is to become a maiden host for the Olympic Games in 2008; whereas, the Shanghai government will hold the World Expo in 2010. These activities will certainly create a great demand for the tourism industry, as well as hotel and serviced apartments. Currently, the Group is actively expanding the scope of its China travel related operations to the operation of serviced apartments.

Under the general downturn on the prices of properties in Shanghai, the revaluation of the Group's serviced apartments in Yangpu District, Shanghai has been affected. Nonetheless, the Group recorded an increase in its rental income as compared to the last year. In order to enhance its service quality and better meet market demand, the Group has made an investment of approximately RMB32,000,000 in renovating and modernising such serviced apartments. Moreover, in August 2004, the Group acquired a piece of land in Shanghai of around 4,902 square metres, planned to be developed into a hotel or serviced apartments.

Complement its travel related property investments in the PRC, the Group decided to invest approximately RMB146,000,000 in April this year to acquire of a commercial plaza on Deng Shi Kou Main Street, Dong Cheng District, Beijing. The plaza is located at the heart of Wangfujing, and is fully occupied. After the acquisition is completed the Group plans to invest more resources to position the plaza into a tourist attraction in Wangfujing and to generate more favourable returns to the Group.

TRADE RELATED OPERATIONS

In the second quarter of 2005, China recorded a Gross Domestic Product ("GDP") of RMB6,742.2 billion, representing an increase of 9.5% from the same period last year. Riding on the ongoing economic growth 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. The Group is under negotiation for several trade agreements, which shall definitely generate revenue for the Group in foreseeable future.

Chairman's Statement

TRAVEL RELATED OPERATIONS

In March 2005, the Group has successfully acquired the 60% equity interests of Gainnew Group Limited ("Gainnew"). Gainnew is principally engaged in the marketing and introduction of customers for the cruiser liner Omar III ("Omar III"), as well as the provision of settlement service to HK Power Limited during the opening hours of the casino of Omar III. During the year, Gainnew has generated a remarkable revenue for the travel related operations of the Group. However, the operation of the casino-onboard has ceased at the end of September 2005 due to the change in ownership of Omar III and accordingly, the Group terminated all its related operations on the Omar III.

In addition, facing extremely keen competitions, the Group's revenue from on online air ticketing and hotel service reduced. Thus, the Group has decided to terminate the related operations at the end of the current year. The Group is actively developing other travel related operations, aiming to generating steady and considerable revenue to the Group.

CONCLUSION

In view of the continued development of the China economy and the increasing cross-border economic activities following the signing of the CEPA, the policy of developing in the PRC adopted by the Group will certainly bring enormous new business opportunities to the Group. To capture such opportunities, the Group will focus on property investment, trading, hotel operation and catering businesses in large cities in China, and in particular, mainly 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 business 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, 21 October 2005