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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Tam Sun Wing
Mr. Ko Ming Tung, Edward
Mr. Ng Ge Bun

AUDIT COMMITTEE

Mr. Tam Sun Wing
Mr. Ko Ming Tung, Edward
Mr. Ng Ge Bun

REMUNERATION COMMITTEE

Mr. Lam Cheung Shing, Richard
Mr. Tam Sun Wing
Mr. Ko Ming Tung, Edward

COMPANY SECRETARY

Mr. Lam Cheung Shing, Richard

HEAD OFFICE AND PRINCIPAL PLACE

12/F
18 Cheong Lok Street
Jordan, Kowloon
Hong Kong

PRINCIPAL BANKERS

Fubon Bank
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

AUDITORS

BDO McCabe Lo Limited

SOLICITORS

Preston Gates & Ellis

SHARE REGISTRARS

Tengis Limited
Level 25, Three Pacific Place
1 Queen's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

The board of directors (the "Board") of Guo Xin Group Limited (the "Company") is pleased to announce the unaudited condensed results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2005 together with comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2005

	Notes	Unaudited For the six months ended 31 December 2005 HK$'000	2004 HK$'000
Turnover	3	**90,356**	4,147
Cost of sales		**(66,370)**	(354)
Gross profit		**23,986**	3,793
Other operating income		**73,669**	100
Impairment of goodwill	10	**(76,800)**	–
Gain on disposal of investments in securities		**–**	987
Administrative expenses		**(6,617)**	(7,586)
Profit/(Loss) from operations	4	**14,238**	(2,706)
Finance costs		**(3,515)**	(321)
Profit/(Loss) before taxation		**10,723**	(3,027)
Taxation	5	**–**	–
Profit/(Loss) for the period		**10,723**	(3,027)
Profit/(Loss) for the period attributable to:			
– Equity holders of the Company		**4,389**	(3,027)
– Minority interests		**6,334**	–
		10,723	(3,027)
Earnings/(Loss) per share	6		
Basic		**HK0.098 cents**	HK(0.079) cents
Diluted		**HK0.096 cents**	–

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Notes	31 December 2005 HK$'000 (Unaudited)	30 June 2005 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	7	**804**	880
Investment properties	8	**221,876**	215,525
Investments in securities	9	**–**	–
Available-for-sale financial assets	9	**–**	–
Goodwill	10	**–**	76,800
Deposits for acquisition of investment properties	11	**74,750**	26,719
		297,430	319,924
Current assets			
Trade receivables	12	**4,000**	36,199
Deposit for investment	13	**83,278**	–
Deposit for acquisition of land	14	**66,635**	72,642
Prepayments and other receivables		**423**	50,561
Bank balances and cash		**293**	371
		154,629	159,773
Current liabilities			
Trade payable		**–**	1,666
Other payables and accrued charges		**15,825**	12,916
Amount due to a related company	15	**8,825**	3,545
Other loan	16	**10,928**	–
Bank loan, secured	17	**144,231**	141,509
		179,809	159,636
Net current (liabilities)/assets		**(25,180)**	137
Total assets less current liabilities		**272,250**	320,061
Non-current liabilities			
Convertible note		**–**	43,417
Deferred taxation		**–**	–
		–	43,417
Net assets		**272,250**	276,644
Capital and reserves			
Share capital		**448,468**	448,468
Reserves		**(176,218)**	(184,184)
Equity attributable to equity holders of the Company		**272,250**	264,284
Minority interests		**–**	12,360
Total equity		**272,250**	276,644

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005

	Share capital	Share premium	Investment property revaluation reserve	Translation reserve	Convertible debt option reserve	Accumulated losses	Equity attributable to equity holders of the Company	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2004	374,718	117,480	17,593	157	–	(252,088)	257,860	–	257,860
Conversion of convertible notes	73,750	14,750	–	–	–	–	88,500	–	88,500
Net loss for the period	–	–	–	–	–	(3,027)	(3,027)	–	(3,027)
At 31 December 2004	448,468	132,230	17,593	157	–	(255,115)	343,333	–	343,333
Release on disposal of investment properties	–	–	(1,927)	–	–	–	(1,927)	–	(1,927)
Deficit arising on revaluation of investment properties	–	–	(24,331)	–	–	–	(24,331)	–	(24,331)
Release of deferred tax arising on disposal of investment properties	–	–	636	–	–	–	636	–	636
Release of deferred tax arising on revaluation of investment properties	–	–	8,029	–	–	–	8,029	–	8,029
Net loss not recognized in income statement	–	–	(17,593)	–	–	–	(17,593)	–	(17,593)
Net (loss)/profit for the period	–	–	–	–	–	(64,039)	(64,039)	12,360	(51,679)
At 30 June 2005	448,468	132,230	–	157	–	(319,154)	261,701	12,360	274,061
Equity component of convertible note	–	–	–	–	2,583	–	2,583	–	2,583
At 30 June 2005 (restated)	448,468	132,230	–	157	2,583	(319,154)	264,284	12,360	276,644
Settlement of convertible note	–	–	–	–	(2,583)	2,583	–	–	–
Revaluation of RMB	–	–	–	3,577	–	–	3,577	–	3,577
Net profit for the period	–	–	–	–	–	4,389	4,389	6,334	10,723
Distribution of dividend	–	–	–	–	–	–	–	(18,694)	(18,694)
At 31 December 2005	**448,468**	**132,230**	**-**	**3,734**	**-**	**(312,182)**	**272,250**	**-**	**272,250**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005

	For the six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash from/(used in) in operating activities	**31,314**	(5,375)
Net cash used in investing activities	**(30,338)**	(115,397)
Net cash (used in)/from financing activities	**(1,054)**	125,650
Net (decrease)/increase in cash and cash equivalents	**(78)**	4,878
Cash and cash equivalents at the beginning of period	**371**	642
Cash and cash equivalents at the end of period	**293**	5,520

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2005

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those adopted in the financial statements for the year ended 30 June 2005, except that the Group has changed certain accounting policies following the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") (collectively the "New/revised HKFRS") which are effective for accounting periods commencing on or after 1 January 2005. The changes to the Group's accounting policies and the effect of adopting these new standards are set out in the Note 2 below.

2. CHANGE IN ACCOUNTING POLICIES

The Group has adopted the following new/revised HKFRS issued up to 31 December 2005 which are pertinent to its operations and have resulted in changes to the Group's accounting policies. The comparative figures have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations

Effect of adopting new/revised HKFRS

(i) The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 34, 37 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now shown within total equity. In the consolidated income statements, minority interests are presented as an allocation of the total profit or loss for the period.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 34, 37 had no material effect on the Group's accounting policies.

(ii) The adoption of HKAS 40 has resulted in a change in accounting policy for the Group's investment properties. In prior years, increases in the valuation of investment property were credited to the investment property revaluation reserve while decreases in the valuation of investment property were firstly set off against the surplus of investment property revaluation reserve and thereafter charged to the profit and loss account. Following the adoption of HKAS 40, all changes in valuation of the investment property are to be recognised in the profit and loss account.

(iii) The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for positive goodwill and negative goodwill and prospective application is required.

Prior to this, positive and negative goodwill were amortised in the income statement on a straight line basis over their estimated useful lives.

Following the adoption of HKFRS 3, HKAS 36 and HKAS 38:

a. The Group ceased amortisation of remaining goodwill and remaining negative goodwill from 1 July 2005;

b. Accumulated amortisation as at 30 June 2005 has been deducted from the cost of positive goodwill;

c. For the year ended 30 June 2006 onwards, positive goodwill will be tested annually for impairment, as well as when there is indication of impairment;

d. In accordance with the transitional provision of HKFRS 3, all negative goodwill was derecognised as at 1 July 2005 with a corresponding decrease in accumulated losses.

(iv) From 1 July 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" that are not part of a hedging relationship and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss" ("Other Financial Liabilities"). Other Financial Liabilities are carried at amortised cost using the effective interest method.

Debt and equity securities previously accounted for under the Statement of Standard Accounting Practice ("SSAP") 24

Prior to 1 July 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of SSAP 24. Under SSAP 24, debt securities that the Group intends and has the ability to hold to maturity ("held-to-maturity securities") are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of a discount or premium arising from the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment. Investments other than held-to-maturity securities are classified as investment securities or other investments. Securities which are held for an identified long-term purpose, are classified as investment securities. They are measured at subsequent reporting dates at cost, less any impairment loss that is other than temporary. Securities not classified as investment securities are classified as other investments. Other investments are measured at fair value at subsequent reporting dates, with unrealised gains and losses included in net profit or loss for the period

Convertible notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principle impact of HKAS 32 on the Group is in relation to convertible notes issued by the Group that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated. On 1 July 2005, the liability component of convertible note has been decreased by HK$2,582,400 and the convertible note option reserve has been increased by the same amount.

3. SEGMENT INFORMATION

The Group is currently engaged in three operating divisions, namely trade related operations, travel related operations and property investments. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses for the six months ended 31 December 2005 and 2004 is presented below:

(a) Business segments

	Trade related operations		Travel related operations		Property investments		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment turnover	**–**	–	**82,176**	373	**8,180**	3,774	**90,356**	4,147
Segment results	**(4,346)**	(914)	**14,028**	(1)	**8,355**	3,761	**18,037**	2,846
Unallocated corporate expenses							**(3,799)**	(6,539)
Gain on disposal of investments in securities							**–**	987
Profit/(Loss) from operations							**14,238**	(2,706)
Finance costs							**(3,515)**	(321)
Profit/(Loss) before taxation							**10,723**	(3,027)
Taxation							**–**	–
Profit/(Loss) for the period							**10,723**	(3,027)
Profit/(Loss) for the period attributable to:								
– Equity holders of the Company							**4,389**	(3,027)
– Minority interests							**6,334**	–
							10,723	(3,027)

(b) Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China other than Hong Kong (the "PRC").

The following table provides an analysis of the Group's sales by location of markets, irrespective of the origin of the goods/services:

	Turnover		Segment results	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**82,176**	373	**14,028**	(1)
The PRC	**8,180**	3,774	**4,009**	2,847
	90,356	4,147	**18,037**	2,846
Gain on disposal of investments in securities			**–**	987
Unallocated corporate expenses			**(3,799)**	(6,539)
Profit/(loss) from operations			**14,238**	(2,706)

4. PROFIT/(LOSS) FROM OPERATIONS

	For the six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
Profit/(Loss) from operations has been arrived at after charging (crediting):		
Depreciation included in administrative expenses	**147**	239
Impairment of goodwill	**76,800**	–
Interest income	**(674)**	–

5. TAXATION

No provision of Hong Kong profits tax has been made in financial statements as the Group had no assessable profits in Hong Kong for the period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. EARNINGS/(LOSS) PER SHARE

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

	For the six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
Profit/(Loss) for the purpose of calculating basic and diluted earnings/(loss) per share	**4,389**	(3,027)

	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**4,484,683**	3,808,641
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**4,571,035**	–

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK$58,000 on additions of property, plant and equipment. There were no other significant movements.

8. INVESTMENT PROPERTIES

At 31 December 2005, the directors have considered the carrying amount of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts did not differ significantly from that which would be determined using fair value at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

The Group has pledged certain of its investment properties to secure general banking facilities granted to the Group.

The Group's investment properties are situated in the PRC and are held under medium-term leases.

9. INVESTMENTS IN SECURITIES/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2005 HK$'000	30 June 2005 HK$'000
Unlisted investment in Hong Kong, at cost	**650**	650
Impairment loss recognised	**(650)**	(650)
	–	–

10. GOODWILL

	The Group HK$'000
Cost	
As at 1 July 2004	–
Addition	96,000
At 30 June 2005	96,000
Eliminated against accumulated amortisation	(19,200)
At 31 December 2005	76,800
Amortisation and impairment	
As at 1 July 2004	–
Charge for the year	19,200
As at 30 June 2005	19,200
Eliminated against cost	(19,200)
Impairment for the period	76,800
As at 31 December 2005	76,800
Net book value	
As at 31 December 2005	–
As at 30 June 2005	76,800

11. DEPOSITS FOR ACQUISITION OF INVESTMENT PROPERTIES

The amounts represent deposits paid for acquisition of certain commercial properties in Beijing, the PRC. Details of the acquisition are set out in the Company's Circular dated 27 June 2005 and 14 November 2005 respectively.

12. TRADE RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers. The aged analysis of trade receivable is:

	31 December 2005 HK$'000	30 June 2005 HK$'000
0 – 30 days	**680**	7,800
31 – 60 days	**680**	16,103
61 – 90 days	**680**	8,276
Over 90 days	**1,960**	4,020
	4,000	36,199

13. DEPOSIT FOR INVESTMENT

The amount represents the deposit paid by the Company entered into an agreement to acquire 100% equity interest of the issued share capital of Easy Rider Group Limited pursuant to the sale and purchase agreement dated 23 December 2005 entered into between the vendor, Mr. Xu Ben, and the Company (the "Acquisition"). The Acquisition is subject to the approval by the shareholders on the special general meeting. Details for the Acquisition are set out in the Announcement dated 30 December 2005.

14. DEPOSIT FOR ACQUISITION OF LAND

The amount represents the deposit paid for acquisition of a land of approximately 4,902 square meters situated at No. 10 Heng Fung Lu, Guang Fu Xi Lu Kou, Zha Bei District, Shanghai. Details for the acquisition are set out in the Circular dated 6 September 2004.

15. AMOUNT DUE TO A RELATED COMPANY

The amount represents advance from Sourcebase Developments Limited, in which Mr. Zhang Yang, a director of the Company, has a beneficial interest, is unsecured, non-interest bearing and repayable on demand.

16. OTHER LOAN

The amount represents advance from Mr. Sun Yi, which is an independent third party, is unsecured, non-interest bearing and repayable on demand.

17. BANK LOAN, SECURED

The amount bears interest at 5.31% per annum, repayable on demand and is secured by certain of the Group's investment properties with carrying amount of HK$184,676,000.

18. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payment of HK$696,000 (at 30 June 2005: HK$696,000) and HK$1,972,000 (at 30 June 2005: HK$2,320,000) in respect of office premises which fall due within one year and two to five years, respectively.

Leases are mainly negotiated for an average term of four year and rentals are fixed over the term of the leases

The Group as lessor

At the balance sheet date, the Group did not have any contract with tenants (30 June 2005: HK$6,792,000).

19. RELATED PARTY TRANSACTIONS

Apart from the amount due to a related company disclosed in the balance sheet, the Group entered into the following related party transactions.

	Related company in which Mr. Zhang Yang is the controlling shareholder	
	2005	2004
	HK$'000	HK$'000
Service income from the travel agency business	–	291

20 COMPARATIVE FIGURES

Certain comparative figures have been restated to comply with the relevant new/revised HKFRSs, as set out in Note 2.

21. POST BALANCE SHEET EVENTS

(a) With reference to the Company's announcement dated 30 December 2005, on 23 December 2005, the Company has entered into an agreement with an independent third party, Mr. Xu Ben, to acquire the sale share and shareholder's loan of Easy Rider Group Limited at a consideration of HK$203,278,341. The deposit of HK$83,278,341 has been paid and the remaining balance of HK$120,000,000 will be payable by the Company by the issue of convertible note (the "Convertible Note") on completion. The transaction is subject to the approval of shareholders in a special general meeting.

(b) With reference to the Company's announcement dated 30 December 2005, the Company proposed to increase its authorized share capital from HK$500,000,000 to HK$760,000,000 in order to facilitate the issue and allotment of the shares to be issued on conversion of the Convertible Note and to facilitate further issue of shares of the Company.

(c) With reference to the Company's announcement dated 27 February 2006, KLL Associated CPA Limited resigned as auditors of the Company with effect from 24 February 2006 and the Board proposes to appoint BDO McCabe Lo Limited ("BDO") as auditors of the Company to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company. The appointment of BDO is subject to the approval by the shareholders at the special general meeting.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the six months ended 31 December 2005 (the "Current Period") amounted to HK$90,356,000 (2004: HK$4,147,000), representing an increase of 20.8 times as compared with corresponding period last year, which mainly attributable to the revenue from travel related operation of the Group. Profit attributable to shareholders amounted to HK$4,389,000 (2004: loss of HK$3,027,000), the turn from loss to gain during the Current Period was mainly attributable to the profits from the travel related operations of the Group.

As at 31 December 2005, the total assets and net assets of the Group were HK$452,059,000 (30 June 2005: HK$479,697,000) and HK$272,250,000 (30 June 2005: HK$276,644,000) respectively, representing a decrease of 5.8% and 1.6% respectively as compared with last year.

As at 31 December 2005, the Group had cash and deposits in banks totaling approximately HK$293,000 (30 June 2005: HK$371,000), representing a decrease of HK$78,000 compared with last year. The Group's net current liabilities were HK$25,180,000 (30 June 2005: net current assets of HK$137,000), representing a decrease of HK$25,317,000 as compared with last year.

As at 31 December 2005, the Group's outstanding bank borrowings amounted to HK$144,231,000 (30 June 2005: HK$141,509,000), repayable on demand. The gearing ratio (total borrowings/total assets) was 34.3%.

Business Review and Prospects

Travel Related Operations

During the Current Period, the Group's travel related operations recorded a turnover of HK$82,176,000 (2004: HK$373,000), representing an increase of 219.3 times as compared with corresponding period last year. Such increase is mainly attributable to the revenue generated from the successful acquisition of 60% equity interests in Gainnew Group Limited ("Gainnew") from Mr. Benny Ki by the Group in March 2005. 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.

However, the casino-onboard of Omar III ceased operation at the end of September 2005 due to a change in ownership of Omar III and accordingly, the Group terminated all its related operations on Omar III. On 19 October 2005, the Group entered into a settlement agreement with Mr. Benny Ki, pursuant to which, Mr. Benny Ki made a cash payment of HK$52,500,000 to the Group, and the convertible note in an aggregate amount of HK$22,500,000 was cancelled, as a compensation of the early termination of the related operations on Omar III. Taking into account of the impairment of Goodwill of approximately HK$76,800,000 caused by the change of accounting policy, a loss of approximately HK$4,383,000 was recorded in the Current Period.

In addition, facing extremely keen competitions, the Group's revenue from online air ticketing and hotel service have been descending. Thus, the Group has decided to terminate the related operations during the Current Period. The Group is actively developing other travel related operations, aiming to generating steady and considerable revenue to the Group.

Travel Related Property Investments

The high-end properties held by the Group in Yangpu District, Shanghai is leased as self-operated serviced apartments. Moreover, the car park located at a commercial plaza in Dong Cheng District, Beijing, has generated rental income for the Group. As the economy of Shanghai and Beijing continued to grow, rental income for the Current Period increased accordingly and generated HK$8,180,000 (2004: HK$3,774,000) during the Current Period, representing an increase of 116.7% over the corresponding period last year.

Complement its travel related property investments in the PRC, the Group decided to invest approximately RMB146,000,000 in April 2005 and November 2005 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 thereby generate more favourable returns to the Group.

Trade Related Operations

During the Current Period, the Group did not enter into any trade agreement and its trade related operations recorded a turnover of HK$0 (2004: HK$0). As the Group has, in the prior year, continuously expanded its input of resources into the investment of travel related operations, and there is lacking of support from the relevant banks and financial institutions for the trade financing in Mainland China, therefore, no trade agreements have been entered into. However, we predict that with the growth of the future economy in the PRC, the trading market in the PRC will have rapid growth. The Group will continue to place resources into the PRC trading business so as to seek for more investment opportunities.

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.

Liquidity and Financial Resources

The Group's financial resources are mainly derived from cash flows generated from operating activities. As at 31 December 2005, the Group's cash on hand and deposits in banks totaled approximately HK$293,000 (30 June 2005: HK$371,000), comprising Hong Kong dollar deposits of approximately HK$61,000 and Renminbi deposits of approximately RMB242,000.

As at 31 December 2005, the Group's bank borrowings were HK$144,231,000 (30 June 2005: HK$141,509,000), equivalent to approximately RMB150,000,000. The Renminbi loan bears interest at fixed rates and are secured by the Group's investment properties.

Foreign Exchange Rate and Interest Rate Risk

For the period ended 31 December 2005, the Group was not subject to any significant exposure to foreign exchange risk as the majority of the transactions of the Group were denominated in Renminbi; which was relatively stable during the Period. Hence, no financial instrument for hedging was employed.

All bank borrowings and the Convertible Note of the Group were denominated in Renminbi and Hong Kong Dollar, respectively, and at fixed interest rate basis. The Board is of the opinion that the Group is not subject to any significant interest rate risk.

Contingent Liabilities

As at 31 December 2005, the Group did not have any material contingent liabilities.

Pledge on the Group's Assets

As at 31 December 2005, the Group's bank borrowings were secured by its investment properties with a carrying value of HK$184,676,000.

Employment Remuneration Policy

As at 31 December 2005, the Group had a total of 16 employees in the PRC and Hong Kong. The staff costs for the year amounted to HK$3,829,000 (2004: HK$4,064,000). In order to maintain the competitiveness of the Group's remuneration package, the salary and bonus of the staff are based on their individual performance.

DIRECTORS' INTERESTS IN SHARES

As 31 December 2005, the interests and the short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies (the "Model Code"), were as follows:

Long Positions in the Company's Shares

Name of director	Capacity	Number of shares held as corporate interests	Percentage of the issued share capital of the Company
Mr. Zhang Yang	Corporate (Note)	750,000,000	16.72%

Note: These shares are held by Sourcebase Developments Limited, a company beneficially owned by Mr. Zhang Yang. Mr. Shen Angang has a security interest over 100% shareholding of Sourcebase Developments Limited.

Share Option Scheme

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 2005, none of the Directors of the Company hold any of the share options.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the interests of the substantial shareholders, other than the Directors, chief executives and their respective associates, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions – ordinary shares of HK$0.1 each of the Company

Name	Capacity	Number of shares	Percentage of holding
Sourcebase Developments Limited	Corporate	750,000,000 (Note 1)	16.72%
Mr. Lu Ji Ping	Personal	269,520,000 (Note 2)	6.01%
Mr. Xu Ben	Personal	1,200,000,000 (Note 3)	26.76%
Mr. Shen Angang	Personal	750,000,000 (Note 4)	16.72%

Notes:

1. By virtue of the SFO, Mr. Zhang Yang is deemed to be interested in the 750,000,000 shares of the Company held by Sourcebase Developments Limited. Details are disclosed in "Directors' Interests in Shares-Long Positions in the Company's Shares" above.

2. Mr. Lu Ji Ping is independent and not connected with Mr. Zhang Yang and Sourcebase Developments Limited.

3. Pursuant to the sale and purchase agreement dated 23 December 2005, Mr. Xu Ben is interested in 1,200,000,000 conversion shares, which will fall to be issued upon conversion of the convertible note and which represents approximately 26.76% of the issued share capital of the Company at the end hereof and approximately 21.11% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares.

4. These Shares are held by Sourcebase Developments Limited. Mr. Shen Angang is deemed interested in such Shares by virtue of his security interest over 100% shareholding of Sourcebase Developments Limited.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 31 December 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to achieve the best corporate governance practices as a listed company. The Board believes that high standards and rigorous corporate governance practices can improve the accountability and transparency of the Company which properly protect and promote the interests of the shareholders.

Code on Corporate Governance Practices

On 21 March 2005, the Company adopted its own Corporate Governance Code (the "CG Code") which exceeds the Code on Corporate Governance Practices based on the principles set out by the Stock Exchange in Appendix 14 to the Listing Rules (the "Code"). For the six months ended 31 December 2005, the Company has complied with the CG Code and the Code, save for the following:

Code A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

- Non-executive directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code and the Code.

Code A.4.2 also provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

- Under the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being or, if their number is not a multiple of three(3), the number nearest to but not greater than one-third shall retire from office by rotation provided that notwithstanding herein, the chairman of the Board and the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the roles of Chairman and Group Managing Director and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.

AUDIT COMMITTEE

The Audit Committee currently comprises Messrs. TAM Sun Wing (Chairman), KO Ming Tung, Edward and NG Ge Bun, all of whom are independent non-executive directors with the Chairman having appropriate professional qualifications and experience in financial matters. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including a review of the interim report and the unaudited consolidated financial statements for the six months ended 31 December 2005. Terms of reference of the Audit Committee are available on request to shareholders of the Company.

REMUNERATION COMMITTEE

The Board of Directors has set up a Remuneration Committee with written terms of reference with effect from 21 March 2005. The Remuneration Committee comprises Messrs. LAM Cheung Shing, Richard (Chairman), TAM Sun Wing and KO Ming Tung, Edward, two of whom are independent non-executive directors.

DIRECTORS' SECURITIES TRANSACTIONS

On 21 March 2005, the Company adopted its own Code of Conduct regarding Directors' Securities Transactions (the "Conduct Code") and the terms are no less exacting than the required standard set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the Conduct Code for the period under review.

By order of the Board
Zhang Yang
Chairman

Hong Kong, 25 March 2006