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$98,713,000 (2005: HK$122,067,000) for the year ended 30 June 2006 (the "Current Year"), representing a decrease of 19.1% as compared with last year. Such decrease is mainly attributable to termination of the business in Omar III in September 2005, due to the change of ownership of Omar III. Loss attributable to shareholders amounted to HK$11,205,000 (2005 (Restated): HK$67,066,000), representing a decrease of 83.3% from last year. As at 30 June 2006, total assets and net assets of the Group were HK$582,155,000 (2005 (Restated): HK$479,697,000) and HK$261,434,000 (2005 (Restated): HK$264,284,000) respectively, representing an increase of 21.4% and a decrease of 1.1% as compared with last year respectively.

The Board does not recommend the payment of dividend for the Current Year.

BUSINESS REVIEW

PROPERTY OPERATIONS

During this fiscal year, the Group has explored new opportunities of growth that can create values for the Group through a series of strategic measures, aim to enhance its recurrent revenue and better investment returns for the shareholders.

Despite the decrease in general rental income in the Shanghai property leasing market due to the rising vacancy rate, investment properties of the Group performed well through the Group's high quality management, and the limited supply of serviced apartments and retail in the premises market.

After renovation and modernization work, the Group's high-end properties in Yangpu District, Shanghai, has been contracted out for leasing as self-operated serviced apartments. Rental returns is satisfactory and is generating stable cash flows for the Group.

The Group has also made substantial achievements in increasing its investments in retail premises in prime locations in China. Retail space leasing operations of the Group also recorded remarkable returns as driven by the robust growth of domestic economy and retail industry. The Group acquired 50% equity interests of the Shanghai Underground Centre Co., Ltd. in December 2005. The Shanghai Underground Centre is located in the transportation hub of Shanghai featuring young fashion merchandise as well as other consumables. It is a popular tourist attraction for domestic and foreign visitors as it is at prime location with exquisite shopping environment. It becomes increasingly famous in Shanghai since its operation.

Furthermore, demand for Grade-A office buildings remained strong and high quality offices in the eastern district of Beijing are particularly well welcomed by domestic and foreign enterprises. The commercial building of the Group located in the Deng Shi Kou Main Street, Wang Fu Jing, Dong Cheng District, Beijing ('the Building'), has generated higher rentals. The Building, which is a high-class commercial building, commands favorable geographical advantages as being located in the political and economic centre of the capital. The Building is a top-notch commercial building which met international standards in respect of design, construction, ancillary facilities and management. The shopping mall of the Building has been entirely leased out, and major tenants include the Huaxia Bank, McDonald's, Tiankelong（天客隆）and a foreign institution handling applications for overseas study in Australia.

On 3 August 2004, the Group reached an agreement with Shanghai Yangmin Hotel Company Limited ("Yangmin Hotel") in respect of the acquisition of a land lot in Shanghai with an area of approximately 4,902 square meters. Due to delay in issuing a Certificate of Approval of Development Construction Plan（建設工程規劃許可證）by the relevant government authority, development of the property has not commenced yet and the Shanghai Property Transfer Center（上海市地產交易中心）did not grant approval for the transfer of the property. Therefore, the Group and Yangmin Hotel terminated the relevant agreement. The Group will continue to search for other suitable land to expand its property investment operations in order to broaden its recurrent revenue base and generate higher return for the Group.

INVESTMENT IN MINERAL OPERATIONS

Given the escalating demand for mineral resources coupled with the various recent incentive measures for farmers promoted by the PRC Government, which will boost the need for phosphate rocks, the raw material for diammonium phosphate binary compound phosphate fertilizers, the Group made significant progress in the current fiscal year in respect of developing relevant operations. In June 2006, the Zhongxiang City People Government, Hubei Province, undertook to grant the Group the exclusive mining rights for mining of approximately 29,000,000 tons of phosphate rocks in the Zu Bao Fo Mining District in Phosphate Mining Town in Zhongxiang City, Hubei Province, with an expected annual production of approximately 200,000 tons of 64% pure diammonium phosphate binary compound phosphate fertilizers.

Diammonium phosphate is a commonly used binary compound phosphate fertilizer as compound alkaline fertilizer widely applied for acid brown soil. Current annual demand in China for such fertilizer exceeds 5,000,000 tons, and has huge growth potential, under the state's favorable policy to agriculture, villages and farmers. The Group firmly believes such investment will lay solid foundation to the development of the Group's core business and to realise its commitment of maximizing shareholders' returns.

TRAVEL RELATED OPERATIONS

The change in ownership of cruiser liner Omar III led to the termination of casino onboard by the end of September 2005 and the Group subsequently terminated the operation of marketing and introduction of customers to Omar III.

PROSPECTS

Under the continued economic development in the PRC, the consistent reform of the foreign exchange system, Beijing will host the Olympic Games in 2008 for the first time, and the Shanghai Government holding the World Expo in 2010, domestic consumption will be stimulated and push up demand for serviced apartments.

On the other hand, the new macro economic control measures introduced by the PRC Government brings uncertainty to the property market, and investors would adopt a wait-and-see attitude towards prospects of properties, thus the Group expects that consolidation will be the key tone for the property market. However, as a developer of quality properties, we firmly believe our serviced apartments and premium retail premises are still welcomed by tenants.

In view of the increasingly close economic ties between Hong Kong and the PRC, the Group's China-oriented policy will certainly bring more new opportunities to the Group. To capture such opportunities, the Group will focus on property investment in large cities in the PRC, and its key investments in mineral resources will generate additional revenue for the Group. At the same time, the Group will seek other investment opportunities in other appropriate industries and operations, in order to maximize investment returns to shareholders.

ACKNOWLEDGEMENTS

As the stable growth of the Group depends on the close cooperation and dedications of the management and staff, I would like to take this opportunity to express my gratitude to fellow members on the Board of Directors and all staff of the Group for their enthusiastic support.

By order of the Board
Zhang Yang
Chairman

Hong Kong, 16 October 2006