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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 OF BUSINESS IN HONG KONG

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INVESTOR RELATIONS CONTACT

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REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL BANKERS

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

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

SOLICITORS

Kirkpatrick & Lockhart Preston Gates Ellis
To, Lam & Co.

SHARE REGISTRARS

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

STOCK CODE

1215

RESULTS

The board of directors (the "Board") of Guo Xin Group Limited (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2006 together with the comparative figures for the corresponding period in previous year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2006

	Notes	For the six months ended 31 December 2006 HK$'000 (Unaudited)	2005 HK$'000 (Unaudited)
Continuing operations			
Turnover	2	**7,982**	90,356
Cost of sales		**(7)**	(66,370)
Gross profit		**7,975**	23,986
Other income and revenue	4	**3,191**	73,669
Share of results of a jointly controlled entity		**2,672**	–
Impairment loss of goodwill		**–**	(76,800)
Administrative expenses		**(6,690)**	(2,271)
Profit from operations	5	**7,148**	18,584
Finance costs		**(4,292)**	(3,515)
Profit before taxation		**2,856**	15,069
Taxation	6	**(11)**	–
Profit for the period from continuing operations		**2,845**	15,069
Discontinued operation			
Loss from discontinued operation	3	**–**	(4,346)
		2,845	10,723
Attributable to:			
– Equity holders of the Company		**2,845**	4,389
– Minority interests		**–**	6,334
		2,845	10,723
Earnings per share	7		
from continuing and discontinued operations			
Basic		**HK0.063 cents**	HK0.098 cents
Diluted		**N/A**	HK0.096 cents
from continuing operations			
Basic		**HK0.063 cents**	HK0.195 cents
Diluted		**N/A**	HK0.191 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2006

	Notes	**31 December 2006 HK$'000 (Unaudited)**	30 June 2006 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**311**	661
Investment properties	8	**79,417**	220,243
Interest in a jointly controlled entity		**165,863**	163,191
Available-for-sale financial assets	9	**–**	–
Goodwill	10	**677**	–
Deposit for acquisition of investment properties		**–**	75,995
		246,268	460,090
CURRENT ASSETS			
Account receivables	11	**4,865**	12,167
Amount due from a jointly controlled entity	12	**40,708**	40,708
Prepayments, deposits and other receivables		**107,910**	419
Deposit for acquisition of land		**–**	67,282
Cash and bank balances		**758**	1,489
		154,241	122,065
Assets classified as held for sale	13	**206,756**	–
		360,997	122,065
CURRENT LIABILITIES			
Accruals and other payables		**6,963**	31,955
Deposit received for disposal of subsidiaries		**80,373**	60,000
Amount due to a related company	14	**11,643**	779
Bank interest-bearing borrowings, secured		**–**	145,631
Tax payable		**2**	–
		98,981	238,365
Liabilities associated with assets classified as held for sale	13	**167,508**	–
		266,489	238,365
NET CURRENT ASSETS/(LIABILITIES)		**94,508**	(116,300)
TOTAL ASSETS LESS CURRENT LIABILITIES		**340,776**	343,790
EQUITY			
Share capital	15	**448,468**	448,468
Reserves		**(191,586)**	(187,034)
Equity attributable to equity holders of the Company		**256,882**	261,434
Minority interests		**–**	–
		256,882	261,434
NON-CURRENT LIABILITIES			
Convertible note	16	**–**	82,356
Long-term loan		**83,894**	–
		340,776	343,790

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2006

	Share capital	Share premium	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
At 1 July 2005	448,468	132,230	157	2,583	(319,154)	264,284	12,360	276,644
Settlement of convertible notes	–	–	–	(2,583)	2,583	–	–	–
Exchange difference	–	–	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
Issue of convertible notes	–	–	–	9,972	–	9,972	–	9,972
Settlement of convertible notes	–	–	–	(2,576)	–	(2,576)	–	(2,576)
Exchange difference	–	–	(2,618)	–	–	(2,618)	–	(2,618)
Net loss for the period	–	–	–	–	(15,594)	(15,594)	–	(15,594)
At 30 June 2006	448,468	132,230	1,116	7,396	(327,776)	261,434	–	261,434
Settlement of convertible notes	–	–	–	(7,396)	–	(7,396)	–	(7,396)
Exchange difference	–	–	(1)	–	–	(1)	–	(1)
Net profit for the period	–	–	–	–	2,845	2,845	–	2,845
At 31 December 2006	**448,468**	**132,230**	**1,115**	**-**	**(324,931)**	**256,882**	**-**	**256,882**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2006

	2006 **HK$'000** **(Unaudited)**	2005 HK$'000 (Unaudited)
Net cash (used in)/generated from operating activities	**(46,117)**	31,314
Net cash generated from/(used in) investing activities	**67,831**	(30,338)
Net cash used in financing activities	**(22,363)**	(1,054)
Net decrease in cash and cash equivalents	**(649)**	(78)
Cash and cash equivalents at beginning of period	**1,489**	371
Effect of foreign exchange rate change	**(1)**	–
Cash and cash equivalents at end of period	**839**	293
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**758**	293
Cash and cash equivalents included in a disposal group held for sale (Note 13)	**81**	–
	839	293

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2006 except in relation to the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also includes HKASs and Interpretations) which are generally effective and are relevant to the Group's operations for accounting periods beginning on or after 1st January 2006 and are adopted in the first time by the Group for the current periods' financial statements.

HKAS 19 (Amendment)	Acturial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The effects of change in foreign exchange rate – net investment in foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transaction
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts
HKFRS-Int 4	Determining whether an Arrangement contains a lease
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of embedded derivatives

The adoption of the above HKFRSs does not result in substantial changes to the accounting policies of the Company and its subsidiaries and has no significant effect on the results reported for the six months ended 31 December 2006 and prior periods.

The Group have not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital disclosures (Note i)
HKFRS 7	Financial instruments: disclosures (Note i)
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies (Note ii)
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment (Note iii)
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions (Note iv)

Note:

(i) Effective for financial period commencing on or after 1 January 2007.

(ii) Effective for financial period commencing on or after 1 March 2006.

(iii) Effective for financial period commencing on or after 1 November 2006.

(iv) Effective for financial period commencing on or after 1 March 2007.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 (Amendment) and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs should have no significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

(a) Business segments

During the six months ended 31 December 2006, all of the Group's turnover, total assets and capital expenditure were derived from property investments division (2005: three). Therefore no business segment for the period is presented in the financial statements. The business segments for the six months ended 31 December 2005 are presented for information purpose.

	Discontinued operation	Continuing operations		
	Trade related operations 2005 HK$'000	Travel related operations 2005 HK$'000	Property investments 2005 HK$'000	Consolidated 2005 HK$'000
Segment turnover	–	82,176	8,180	90,356
Segment results	(4,346)	14,028	8,355	18,037
Unallocated corporate income less expenses				(3,799)
Profit from operations				14,238
Finance costs				(3,515)
Profit before taxation				10,723
Taxation				–
Profit for the period				10,723

(b) Geographical segments

During the six months ended 31 December 2006, all of the Group's turnover, total assets and capital expenditure were derived from the People's Republic of China. Therefore no geographical segment for the period is presented in the financial statements. The geographical segments for the six months ended 31 December 2005 are presented for information purpose.

	The People's Republic of China (the "PRC")	**Hong Kong**	**Consolidated**
	2005	**2005**	**2005**
	HK$'000	HK$'000	HK$'000
Segment turnover	8,180	82,176	90,356
Segment results	4,009	14,028	18,037
Unallocated corporate income less expenses			(3,799)
Profit from operations			14,238
Finance costs			(3,515)
Profit before taxation			10,723
Taxation			–
Profit for the period			10,723

3. DISCONTINUED OPERATION

In year 2005, the Group has ceased its operation in the trade related segment. The analysis of the loss recognised in income statement is as follows:

	For the six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Turnover	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Other operating income	**–**	–
Administrative expenses	**–**	(4,346)
Loss from operations	**–**	(4,346)
Finance costs	**–**	–
Loss before taxation	**–**	(4,346)
Taxation	**–**	–
Net loss for the year	**–**	(4,346)

The net cash flow of the discontinued operation is as follows:

	For the six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net operating cash outflow	**–**	(4,346)
Net investing cash outflow	**–**	–
Net financing cash outflow	**–**	–
Total net cash outflow	**–**	(4,346)

4. OTHER INCOME AND REVENUE

	For the six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Bank interest income	**2**	2
Unrealised exchange gain	**1**	577
Other income	**3,188**	73,090
	3,191	73,669

5. PROFIT FROM OPERATIONS

	For the six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit from operations have been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**161**	147
Staff costs including directors' emoluments	**3,441**	3,640
Impairment loss of goodwill	**–**	76,800
Interest income	**(3,190)**	(674)

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong incurred tax losses for the period. Taxation arising from elsewhere is calculated at the rates prevailing in the relevant jurisdictions as follows:

	For the six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong Profits Tax	**–**	–
The PRC income tax	**11**	–
	11	–

Hong Kong Profits Tax and the PRC income tax were calculated at 17.5% (2005: 17.5%) and 27% (2005: 27%) respectively, on the respective estimated assessable profits for the six months ended 31 December 2006 and 2005.

7. EARNINGS PER SHARE

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

	For the six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit attributable to equity holders of the Company		
– from continuing and discontinued operations	**2,845**	4,389
– from continuing operations	**2,845**	8,735

	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,484,683**	4,484,683
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	4,571,035

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 31 December 2006, additions to the Group's property, plant and equipment amounted to approximately HK$269,000 (2005: HK$58,000).

The Group's investment properties are situated in the PRC and are held under medium-term leases. The directors have considered the carrying amount of the Group's investment properties are 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 31 December 2006. 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.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2006 (Unaudited) HK$'000	30 June 2006 (Audited) HK$'000
Unlisted investment in Hong Kong, at cost	**650**	650
Impairment loss recognised	**(650)**	(650)
	–	–

10. GOODWILL

	HK$'000
At cost	
At 1 July 2005	96,000
Eliminated against accumulated amortisation	(19,200)
At 30 June 2006	76,800
Addition during the period	677
At 31 December 2006	77,477
Accumulated impairment	
At 1 July 2005	19,200
Eliminated against cost	(19,200)
Impairment for the period	76,800
At 30 June 2006 and 31 December 2006	76,800
Carrying amount	
At 31 December 2006	677
At 30 June 2006	–

11. ACCOUNT RECEIVABLES

The Group allows an average credit period of 90 days to its customers. The aged analysis of account receivables are as follows:

	31 December 2006 (Unaudited) HK$'000	30 June 2006 (Audited) HK$'000
0 to 30 days	**291**	1,310
31 to 60 days	**240**	1,313
61 to 90 days	**240**	1,310
Over 90 days	**4,094**	8,234
	4,865	12,167

The directors consider that the carrying amounts of the Group's account receivables approximate to their fair values.

12. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due is unsecured, interest-free and recoverable on demand.

13. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 19 December 2006, the Company entered into a disposal agreement (the "Agreement") with the Purchaser in respect of the disposition of entire interest of the subsidiary company, Smart China International Limited ("Smart China") to Mr. Li Seng Hay, Joseph. Part of the consideration will be used to settle the unsecured loan from Mr. Zhang Yang. The major assets classified as held for sale are comprised of investment properties of HK$192,262,000 and the major liabilities associated with assets classified as held for sale are mainly comprised of secured bank interest-bearing borrowings amounted to HK$145,631,000 respectively.

Since the Agreement has not been completed as at 31 December 2006, in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the Group's share of assets and liabilities of Smart China should be classified as held for sale. Details please refer to the Company's announcements dated 20 December 2006 and circular dated 29 January 2007. The disposal has been completed on 28 February 2007.

14. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, non-interest bearing and repayable on demand.

The directors consider that the carrying amounts of the Group's and the Company's amount due to a related company approximate to their fair values.

15. SHARE CAPITAL

	31 December 2006 (Unaudited) HK$'000	30 June 2006 (Audited) HK$'000
Ordinary shares:		
Authorised:		
7,600,000,000 shares of HK$0.10 each	**760,000**	760,000
Issued and fully paid:		
4,484,683,140 shares of HK$0.10 each	**448,468**	448,468

16. CONVERTIBLE NOTES

During the year ended 30 June 2006, the Company issued convertible note (the "Easy Rider Note") with principal amount of HK$120,000,000 as consideration for the acquisition of Easy Rider Group Limited, a company incorporated in the British Virgin Islands, and its subsidiaries. The Easy Rider Note bear interest at the rate of 5% per annum, payable annually on 15 May of each year commencing 16 May 2007. The Easy Rider Note carries the right to convert the principal amount of the Easy Rider Note into shares of HK$0.1 each in the share capital of the Company at a conversion price of HK$0.1 per share. From 15 May 2007 to 15 May 2010, the noteholder can convert the outstanding principal amount of the Easy Rider Note into shares of the Company and may request early repayment of the outstanding principal amount of the Easy Rider Note together with accrued interest. During the six months ended 31 December 2006, the Company has fully redeemed HK$89,000,000 of the Easy Rider Note.

During the year ended 30 June 2005, the Company issued convertible note (the "Gainnew Note") with principal amount of HK$46,000,000 as consideration for the acquisition of a subsidiary, Gainnew Group Limited, which is principally engaged in the marketing and introduction of customers and provision of settlement services (the "Services"). The Gainnew Note bears interest at the rate of 5% per annum, payable semi-annually in arrears on 30 August and 28 February of each year commencing 30 August 2005. On 19 October 2005, the Group entered into a deed of settlement in relation to the termination of the Subcontracting Agreement and the Service Agreement and a deed of cancellation to cancel the outstanding principal amount of the Gainnew Note.

The fair value of the liability of the Convertible Note is determined using a market interest rate for a similar note. The residual amount is assigned as the equity component and is included in shareholders' equity as convertible debt option reserve.

	31 December 2006 (Unaudited) HK$'000	30 June 2006 (Audited) HK$'000
At the beginning of the period	**82,356**	44,186
Face value of the Easy Rider Note	**–**	120,000
Transfer to equity component	**–**	(9,972)
Liabilities component at the date of issuance	**82,356**	154,214
Interest expenses	**317**	1,126
Principal repayment of the Gainnew Note	**–**	(23,500)
Principal repayment of the Easy Rider Note	**(81,604)**	(28,424)
Cancellation of the Gainnew Note	**–**	(19,917)
Interest paid	**(1,069)**	(1,143)
	–	82,356

17. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	31 December 2006 (Unaudited) HK$'000	30 June 2006 (Audited) HK$'000
Within one year	**917**	696
In the second to fifth years inclusive	**1,535**	1,624
	2,452	2,320

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are mainly negotiated for an average term of four years and rentals are fixed over the terms of the leases.

The Group as lessor

At 31 December 2006, the Group had contracted with tenants for the following future minimum lease payments:

	31 December 2006 (Unaudited) HK$'000	30 June 2006 (Audited) HK$'000
Within one year	**442**	6,406
In the second to fifth years inclusive	**660**	357
	1,102	6,763

Leases are mainly negotiated for an average term of one to two years and rentals are fixed over the terms of the leases.

18. CONTINGENT LIABILITIES

At 31 December 2006, the subsidiaries of the Company have given a corporate guarantee for the long-term loan amount of HK$67,486,000 (2005: HK$Nil) to an independent third party. The financial guarantee contract was eliminated on consolidation.

19. MATERIAL RELATED PARTY TRANSACTIONS

Compensation for key management personnel, including amount paid to the Company's directors and the senior executives are as follows:

	For the six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries and other short-term benefits	**2,650**	2,720
Pension scheme contributions	**81**	81
	2,731	2,801

20. SUBSEQUENT EVENTS

On 12 February 2007, the Company entered into the subscription agreement under which the Company agreed to issue the Convertible Note (the "Note") in an aggregate principal amount of HK$95,074,580 to Joy Right Investments Limited ("Noteholder"), a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding. The Note will bear a interest rate of 3.5% per annum, interest will be payable yearly in arrears commencing 12 months after the date of issue of the Note. The Noteholder will have the right to convert the Note into shares at the conversion price of HK$0.106. The Company has no redemption rights on the Note issued to the Noteholder. Details please refer to the Company's announcement dated 13 February 2007.

On 14 February 2007, the Company approved the disposition of entire interest of the subsidiary company "Smart China International Limited" to Mr. Li Seng Hay, Joseph. Part of the consideration will be used to settle the unsecured loan from Mr. Zhang Yang. The assets classified as held for sale are mainly comprised of investment properties and account receivables. Liabilities associated with assets classified as held for sale are mainly comprised of secured bank interest-bearing borrowings. Details please refer to the Company's announcements dated 20 December 2006 and circular dated 29 January 2007. The disposal has been completed on 28 February 2007.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the six months ended 31 December 2006 (the "Current Period") amounted to HK$7,982,000 (2005: HK$90,356,000), representing a decrease of 91.2% as compared with corresponding period last year. The decrease of turnover was mainly attributable to the business of the cruiser liner Omar III ("Business"), for which the Business was terminated upon the change of ownership in September 2005. The revenue of the Group in the period only drops 2.4% as compared with corresponding period last year, after deducting the turnover generated from the operation of the Business amounted to HK$82,176,000. Profit attributable to shareholders amounted to HK$2,845,000 (2005: HK$4,389,000).

Liquidity and Financial Resources

As at 31 December 2006, the total assets and net assets of the Group were HK$607,265,000 (30 June 2006: HK$582,155,000) and HK$256,882,000 (30 June 2006: HK$261,434,000) respectively, representing an increase of 4.3% and a decrease of 1.7% respectively as compared with corresponding period last year.

As at 31 December 2006, the Group had cash and deposits in banks totaling approximately HK$839,000 (30 June 2006: HK$1,489,000), representing a decrease of HK$650,000 compared with last year. The Group's net current assets were HK$94,508,000 (30 June 2006 net current liabilities: HK$116,300,000), representing an increase of HK$210,808,000 as compared with 30 June 2006.

As at 31 December 2006, the Group's outstanding bank borrowings amounted to HK$162,040,000 (30 June 2006: HK$145,631,000), which mainly included outstanding bank borrowings repayable on demand approximately HK$145,631,000 and bank borrowings repayable in more than one year approximately HK$16,409,000. The gearing ratio (total borrowings/total assets) was 39.7%.

As the business development of the Group is mainly located in China and Hong Kong, the investment projects of the Group in China and Hong Kong are denominated in the local currency as the currency unit of loans, so as to reduce the risk arising from foreign exchange fluctuation by complementing the requirement of the expense of relevant projects in similar currency. Hence, no relevant hedging was provided and no financial instrument for hedging was employed.

BUSINESS REVIEW AND PROSPECTS

Property Investment Operations

In view of the continued development of the China economy, the lease business in China performed stably, notwithstanding the decrease in the rents of the leasing markets in Shanghai and Beijing as a result of an increase of vacancy rate. By leveraging on the qualified management of the Group and the competitive edges in the prime locations of commercial properties, shopping plaza and serviced apartments, the rental income during the period amounted to HK$7,950,000 (2005: HK$ 8,180,000) which was similar to that of corresponding period last year.

In order to increase the recurring income of the Group, so as to bring better return to the shareholders, the Group invested approximately HK$69,417,000 to complete the acquisition of 35 commercial offices on Deng Shi Kou Main Street, Dong Cheng District, Beijing with a gross floor area of approximately 3,983.38 square meters in the end of November 2006. In view of the huge demand of A-grade commercial offices, these premium commercial offices, which are located at the heart of Wangfujing, are particularly well received by the local and foreign enterprises. Occupancy rate exceeds 95%. It is expected that the investment will generate a sustainable and stable rental income for the Group.

Benefiting from the strong growth of economy and retail business in the PRC, the Group recorded satisfactory return from the investment in the shopping plaza. The acquisition of 50% equity interests in Shanghai Underground Centre, which was completed in 2005, generated additional income of approximately HK$2,672,000 to the Group. Located in Shanghai's transportation hub, the Shanghai Underground Centre has a gross floor area of approximately 10,000 square meters with an underground plaza and shopping boulevard accommodating 96 shops. Its prime location, modern facilities and sumptuous environment has made it a popular sight-seeing and shopping location for tourists visiting Shanghai. Since its operation commenced, it has established a certain degree of reputation in Shanghai.

In addition, as the rental income of commercial properties in China is increasing, the investments in commercial properties will generate a better operating prospects and higher returns for the Group. Hence, the Group completed the sale of residential investment properties in Yangpu District, Shanghai at the end of February 2007. The investment properties were leased as self-operated serviced apartments. The sale facilitated to improve the indebtednesses and returns of the Group.

Travel Related Operations

During the Current Period, the Group's travel related operations recorded a turnover of HK$Nil (2005: HK$82,176,000), representing a decrease of 100% as compared with corresponding period last year. Such decrease was mainly attributable to the business termination of cruiser liner Omar III in September 2005 due to change ownership. The Group is actively developing other travel related operations, with an aim to generate steady and considerable income to the Group.

Resources Investment Operations

In view of the increase in demand of phosphate resources for the production of diammonium phosphate binary compound phosphate fertilizers as a result of strong demand for global resources and the preferential measures for peasants introduced by the government of China, the Group obtained substantial progress in respect of the development of related business. In June 2006, the Zhongxiang City government, Hubei Province initially committed to the Group, in the event the negotiation is successful, the Group will be granted with the exclusive rights to mine approximately 29,000,000 tons of phosphate in Zu Bao Fo Mining District in Phosphate Mining Town in Zhongxiang City, Hubei Province. The expected annual production of 64% pure diammonium phosphate binary compound phosphate fertilizers can generate additional revenues for the Group apart from the main operation.

Diammonium phosphate is a commonly used binary compound phosphate fertilizer, and a alkaline compound fertilizer generally utilized in acidic brown soil. Currently, it has a demand of over 5 million tones per annum in China, and has huge growth potential, under the state's favorable policy to agriculture, villages and farmers. The Group strongly believes such investment will lay solid foundation to the development of the Group's business and to realise its commitment of maximizing shareholders' returns.

In addition, the Group will continue to seek and explore more investment and business opportunities to diversify the business portfolio.

Liquidity and Financial Resources

The Group's financial resources are mainly derived from cash flows generated from operating activities. As at 31 December 2006, the Group's cash on hand and deposits in banks totaled approximately HK$839,000 (30 June 2006: HK$1,489,000), comprising Hong Kong dollar deposits of approximately HK$125,000 and Renminbi deposits of approximately RMB735,000.

As at 31 December 2006, the Group's bank borrowings were HK$162,040,000 (30 June 2006: HK$145,631,000), equivalent to approximately RMB166,901,000. The Renminbi loan bears interest at fixed rates and are secured by the Group's investment properties.

Contingent Liabilities

At 31 December 2006, the subsidiaries of the Company have given a corporate guarantee for the long-term loan amount of HK$67,486,000 (2005: HK$Nil) to an independent third party. The financial guarantee contract was eliminated on consolidation.

Pledge on the Group's Assets

As at 31 December 2006, the Group's bank borrowings were secured by its investment properties with a carrying value of HK$223,260,000.

Employment Remuneration Policy

As at 31 December 2006, the Group had a total of 16 employees in the PRC and Hong Kong. The staff costs for the period amounted to HK$3,441,000 (2005: HK$3,640,000). 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 2006, 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 of Hong Kong Limited (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 – ordinary shares of HK$0.1 each of the Company

Name of director	Capacity	Number of shares held as corporate interests	Percentage of issued share capital of the Company
Mr. Zhang Yang	Corporate (Note)	355,560,000	7.93%
Mr. Zhang Yang	Personal	108,720,000	2.42%

Note: These shares are held by Sourcebase Developments Limited, a company beneficially owned by Mr. Zhang Yang.

Save as disclosed above, as at 31 December 2006, none of the directors, or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

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 2006, no share option was granted or exercised under the share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, 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 of shareholder	Capacity	Number of issued ordinary shares held	Number of underlying shares held under equity derivates	Percentage of the issued share capital of the Company
Sourcebase Developments Limited (Note 1)	Beneficial owner	355,560,000	–	7.93%
Mr. Zhang Yang	Beneficial owner	464,280,000 (Note 2)	–	10.35%
Joy Right Investments Limited (Note 3)	Beneficial owner	–	896,930,000	20.00%
Mr. Chan Tim Shing	Beneficial owner	–	896,930,000 (Note 4)	20.00%

Note:

1. Sourcebase Developments Limited is beneficially owned by Mr. Zhang Yang, who is a director of the Company.

2. 355,560,000 shares are held by Sourcebase Developments Limited. Mr. Zhang Yang is deemed interested in such shares by virtue of his 100% shareholding of Sourcebase Developments Limited.

3. Pursuant to the subscription agreement dated 12 February 2007, Joy Right Investments Limited ("Joy Right") is the beneficial owner of 896,930,000 underlying shares, which would be allotted and issued to Joy Right upon the exercise in full of the conversion rights attached to the convertible note at the conversion price of HK$0.106 per share.

4. Joy Right is the beneficially owned by Mr. Chan Tim Shing. By virtue of the SFO, Mr. Chan Tim Shing is deemed to be interested in the 896,930,000 shares of the Company held by Joy Right.

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 2006.

PURCHASE, SALE OR REDEMPTION OF 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.

The Company has complied with the code provisions of Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2006, with the exceptions as stated below:

1. Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. Non-executive directors of the Company do not have a specific term of appointment, but 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 Code.

2. Under the code provision A.4.2 of the Code, 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.

3. Under the code provision B.1.4 and C.3.4 of the Code, the Company should make available the terms of reference of the Remuneration Committee and the Audit Committee respectively on request and by including the information on the Company's website. At present, the Company is in the process of setting up its own website and will post the terms of reference of these two committees on the Company's website once its website is in operation.

4. Under the code provision E.1.2 of the Code, the Chairman of the Board should attend the annual general meeting ("AGM"). The Chairman did not attend the 2006 AGM of the Company due to other business engagements.

The Board will keep these matters under review periodically.

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 2006.

Remuneration Committee

The remuneration committee of the Company was established, with specific terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The remuneration committee is responsible for making recommendations to the Board on the Company's policy and packages of employment for the directors. It comprises one executive director and two independent non-executive directors of the Company. The present members are Messrs. LAM Cheung Shing, Richard (Chairman), TAM Sun Wing and KO Ming Tung, Edward.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the Model Code for the six months ended 31 December 2006.

By order of the Board
Zhang Yang
Chairman

Hong Kong, 15 March 2007