XIN CORPORATION LIMITED
新創綜合企業有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2004

The board of directors (the "Board") of Xin Corporation Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 March 2004 together with comparative figures for the previous year as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the years ended 31 March

	Notes	**2004** *HK$'000*	2003 *HK$'000*
TURNOVER	2	**22,531**	38,092
Cost of sales		**(30,953)**	(50,182)
Gross loss		**(8,422)**	(12,090)
Other revenue and gains		**1,577**	5,076
Selling and distribution costs		**(1,433)**	(3,077)
Administrative expenses		**(18,323)**	(18,856)
Other operating expenses		**(707)**	(4,436)
LOSS FROM OPERATING ACTIVITIES	3	**(27,308)**	(33,383)
Finance costs	4	**(4,951)**	(5,380)
Gain on debt restructuring, net of expenses		**–**	77,031
PROFIT/(LOSS) BEFORE TAX		**(32,259)**	38,268
Tax	5	**836**	(836)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**(31,423)**	37,432
Minority interests		**525**	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(30,898)**	37,432
EARNINGS/(LOSS) PER SHARE	6		
Basic		**(HK$0.04)**	HK$0.16
Diluted		**N/A**	N/A

Notes:

1. **Impact of a revised Hong Kong Statement of Standard Accounting Practice ("SSAP")**

   The revised SSAP 12 "Income taxes" is effective for the first time for the current year's financial statements. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

   The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes.

2. Turnover and segment information

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

(a) Business segments

The following table presents revenue and results for the Group's business segments.

Group	Toddler cars		Cycling		Other toys		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**11,078**	15,355	**6,867**	12,176	**4,586**	10,561	**22,531**	38,092
Other revenue	**333**	274	**207**	218	**140**	179	**680**	671
	11,411	15,629	**7,074**	12,394	**4,726**	10,740	**23,211**	38,763
Segment results	**(7,364)**	(5,779)	**(5,593)**	(5,091)	**(3,911)**	(9,518)	**(16,868)**	(20,388)
Interest income and unallocated gains							**897**	4,405
Unallocated expenses							**(11,337)**	(17,400)
Loss from operating activities							**(27,308)**	(33,383)
Finance costs							**(4,951)**	(5,380)
Gain on debt restructuring, net of expenses							**–**	77,031
Profit/(loss) before tax							**(32,259)**	38,268
Tax							**836**	(836)
Profit/(loss) before minority interests							**(31,423)**	37,432
Minority interests							**525**	–
Net profit/(loss) from ordinary activities attributable to shareholders							**(30,898)**	37,432

(b) Geographical segments

The following table presents revenue for the Group's geographical segments.

Group	North America		Europe		Central and South America		Asia Pacific region (including Hong Kong and Mainland China)		Middle East and other regions		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**4,205**	5,441	**8,315**	13,958	**3,969**	7,051	**4,831**	9,308	**1,211**	2,334	**22,531**	38,092

3. Loss from operating activities

The Group's loss from operating activities is arrived at after charging/(crediting):

	2004 *HK$'000*	2003 *HK$'000*
Cost of inventories sold	**14,444**	22,657
Depreciation	**10,604**	14,796
Provision for bad and doubtful debts:		
Trade receivables	**–**	1,556
Other receivables	**–**	307
	–	1,863
Minimum lease payments under operating leases in respect of land and buildings	**411**	407
Staff costs (excluding directors' remuneration):		
Wages and salaries	**7,841**	10,841
Retirement benefits scheme contributions	**171**	153
	8,012	10,994
Exchange gains, net	**(28)**	(124)
Revaluation deficit/(surplus) on land and buildings	**697**	(82)
Provision for inventories	**–**	528
Loss on disposal of fixed assets	**81**	–

Cost of sales includes approximately HK$10,917,000 (2003: HK$18,145,000) relating to staff costs and depreciation which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

At 31 March 2004, the Group had no forfeited contributions available to reduce its contributions to retirement benefits schemes in future years (2003: Nil).

4. Finance costs

	Group	
	2004 *HK$'000*	2003 *HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**4,222**	4,701
Interest on convertible note and bonds	**705**	574
Interest on finance leases	**24**	105
	4,951	5,380

5. Tax

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2004 *HK$'000*	2003 *HK$'000*
Group:		
Deferred tax credit/(charge)	**836**	(836)

A reconciliation of the tax credit/(expense) applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax credit/(expense) at the effective tax rates are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Profit/(loss) before tax	**(32,259)**	38,268
Tax at the applicable tax rates	**5,645**	(6,123)
Income not subject to tax	**1,564**	8,856
Expenses not deductible for tax	**(192)**	(1,522)
Tax losses utilised from previous periods	**88**	12,296
Tax loss not recognised	**(6,269)**	(14,343)
Tax credit/(charge) at the Group's effective rate	**836**	(836)

6. **Earnings/(Loss) per share**

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$30,898,000 (2003: net profit of HK$37,432,000), and the weighted average of 728,666,188 (2003 (restated): 236,329,878) ordinary shares in issue during the year, as adjusted to reflect the open offer during the year.

Diluted loss per share amount for the year ended 31 March 2004 has not been disclosed as the convertible note and bonds outstanding during the year had anti-dilutive effect on the basic loss per share for the year.

Diluted earnings per share amount for the year ended 31 March 2003 has not been disclosed as the share options and convertible note and bonds outstanding during that year had no dilutive effect on the basic earnings per share for that year.

FINAL DIVIDEND

The Board does not recommend to pay any final dividend for the year ended 31 March 2004 (2003: Nil).

EXTRACT OF AUDITORS' REPORT

Fundamental uncertainty relating to the going concern basis

In forming their opinion, the auditors have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in note 2 to the financial statements, the Group is currently undertaking a number of measures to improve its financial and current liquidity position. The financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support of the Group's holding companies, bankers and other creditors, the availability of additional external funding and the attainment of profitable and positive cash flow operations to meet the Group's future working capital and financial requirements. The financial statements do not include any adjustment that may be necessary should the implementation of such measures be unsuccessful. The auditors consider that appropriate disclosures have been made in the financial statements concerning this situation, but the auditors consider that this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that the auditors have disclaimed their opinion.

Disclaimer of opinion

Because of the significance of the fundamental uncertainty relating to the going concern basis, the auditors are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT AND DISCUSSION AND ANALYSIS

Results

For the year under review, the Group recorded its turnover of HK$22,531,000 (2003: HK$38,092,000) representing a decrease of 40.9% and its net loss from ordinary activities attributable to shareholders of approximately HK$30,898,000 as compared to a profit of approximately HK$37,432,000 in 2003. The profit in 2003 was mainly contributed from the gain of debt restructuring of HK$77,031,000.

Charge on group's assets

Certain leasehold land and buildings with an aggregate carrying value of HK$43,700,000 (2003: HK$45,400,000) at 31 March 2004 were pledged to secure bank borrowings advanced to the Group.

Pending litigations

Claims for outstanding trade debts were brought by several suppliers and other miscellaneous creditors against the Group in prior years in respect of goods supplied and services provided for, together with interests, costs and/or other relief, of approximately HK$2,129,000 in aggregate. A full provision thereof has been made in these financial statements.

In the opinion of the directors, adequate provisions have been made by the Group in respect of all the above claims in the Group's financial statements at 31 March 2004.

Liquidity and financial resources

As at 31 March 2004, the Group had neither unutilized banking facilities nor any hedging financial instruments. All borrowings of the Group were denominated either in Hong Kong dollars or Renminbi. HK$44,632,000 was at fixed interest rate, HK$13,378,000 was at floating interest rate and HK$5,880,000 was interest-free. The total indebtedness of the Group (representing the aggregate amounts of interest bearing loans from banks, financial institutions and loan providers) was approximately HK$63,890,000 and all the indebtedness was due within one to two years. The Group had net current liabilities of approximately HK$76,891,000 and shareholders' fund of approximately HK$9,858,000. The Group's gearing ratio was 6.5 for the year ended 31 March 2004.

Foreign currency exposure

Significant foreign currency exposure was not expected by the Group as sales to foreign customers were settled in US dollars and purchases of materials were in Hong Kong dollars or Renminbi.

Human resources

As at 31 March 2004, the total number of employees of the Group was 531, among which 510 staff were based in PRC and 21 staff in Hong Kong. Apart from competitive remuneration package offered to the employees, share options may be granted by the Group to attract and retain talented employees. During the year, no share options has been granted.

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

Neither the Company nor any or its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms, as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

PUBLICATION OF ANNUAL RESULTS ON WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed results announcement of the Company containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Lo Ming Chi, Charles
Chairman

Hong Kong, 26 July 2004

As at the date of this announcement, the Board comprises Messrs. Lo Ming Chi, Charles (Chairman), Yu Wai Man, Wilson Ng, Ng Wee Keat, Ng Teow Leng and Ng Eng Leng as executive directors and Messrs. Wu Wing Kit, Wong Kwok Tai and Lau Pok Lam as independent non-executive directors.

* *For identification only*

Please also refer to the published version of this announcement in The Standard.