

Chairman's Statement

On behalf of the board of directors (the "Directors") of Fujian Group Limited (the "Company"), I hereby present the annual report of the Company for the year ended 31st March 2001.

During the year, the sentiment of the property market in Hong Kong stayed moderately downward. For the year ended 31st March 2001, the Group's loss attributable to the shareholders has reduced to HK\$108 million from last year's HK\$345 million, and the Group's loss for current year was mainly ascribed to (i) declining rental income, (ii) increasing finance cost to HK\$82 million from last year's HK\$64 million and (iii) diminution in value of Group's property portfolio in Hong Kong for the amount of HK\$57 million. At the year end date, the Group had a deficit shareholders' funds in the amount of HK\$222 million.

In view of the volatility of the Hong Kong economy in recent years, both large and small enterprises alike in Hong Kong faced severe difficulties. The Group, with property investment and development as its core business, also experienced pressure and was affected by such a situation. In face of the downturn economy, the Group has kept formulating strategies and acting prudently during the years. It is expected that all difficulties will be smoothly gone through.

Since the Directors have confidence on the recovery of the Hong Kong economy, the Directors of the Company went through an internal restructuring in mid-November last year. Under the new management, the Company committed to lower costs and expenses. Effort was confined to the Company's reorganization and restructuring by the Directors who believed that the financial condition of the Group will improve and the Company will resume its strength.

The Directors were pleased to announce that the Company entered into a letter of intent with a potential investor on 5th July 2001, pursuant to which the potential investor will assist in rescheduling of debt for and facilitating future investment into the Company. It is expected that the Group would resume normal should any constructive debt rescheduling plan and its terms be jointly accepted by the bankers.

I would like to express my appreciation to the board members for their best effort to maintain normal operations of the Group and look forward to the valuable contribution by the new members. I would also like to thank the Group's staff members for their dedication in this most difficult year.

HUANG Jian Guan
Chairman

Hong Kong, 22nd August 2001