



INTERIM RESULTS

The board of directors (the "Directors") of Fujian Holdings Limited (formerly known as Fujian Group Limited) (the "Company") and its subsidiaries (the "Group") are pleased to present the Group's Interim Report and condensed financial statements for the six months ended 30 September 2003. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 September 2003 and the consolidated balance sheet of the Group as at 30 September 2003, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 13 to 28 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Restructuring of the Group

On 25 April 2003, the Company and the joint and several provisional liquidators of the Company (the "Provisional Liquidators") entered into a legally binding restructuring agreement with an investor, HC Technology Capital Company Limited ("Investor") and two secured creditors of the Company, Sino Earn Holdings Limited ("Sino Earn") and Jian Xing Finance Limited ("Restructuring Agreement"). The Restructuring Agreement sets out the terms and conditions in relation to, among others, a capital restructuring, a debt restructuring, a subscription of new shares in the Company by the Investor, loan capitalisation and a reorganisation of the Group. The whole indebtedness and all liabilities due by the Company to its creditors would be then released and fully discharged thereafter, and the Company would restore its net assets to positive position. The Restructuring Agreement was subsequently completed on 11 December 2003, and the Investor now holds an aggregate of 2,792,413,792 new shares, representing approximately 53.7% of the enlarged issued share capital of the Company.

There were changes in directors of the Company after completion of the Restructuring Agreement. The new Board, with effect from 11 December 2003, consisted of Mr WANG Xiaowu, Ms MEI Qiping and Ms CHEN Danyun as executive directors and Mr LAM Kwong Siu and Mr Christopher, CHEUNG Wah Fung as independent non-executive directors.



Trading in the shares of the Company had been suspended at the request of the Company since 16 February 2001. Upon the completion of the Restructuring Agreement as announced on 11 December 2003 and all the resumption conditions imposed by the Listing Committee of The Stock Exchange Hong Kong Limited (the "Stock Exchange") having been fulfilled, trading in the shares of the Company on the Stock Exchange was resumed at 9:30 a.m. on 17 December 2003.

The name of the Company was changed from Fujian Group Limited to Fujian Holdings Limited on 14 January 2004.

Financial Review

Under the stewardship of the Provisional Liquidators, turnover of the Group for the six months ended 30 September 2003 was HK\$6,787,831 and net loss for the period was HK\$58,470,210. As at 30 September 2003, the Group's capital deficiency amounted to HK\$563,782,582, compared to HK\$505,045,705 as at 31 March 2003.

Capital Structure and Liquidity

Net cash outflow from operating activities was HK\$11,170,408 for the reported period, compared with a net cash outflow of HK\$50,288,977 for the period ended 30 September 2002. Bank balances as at 30 September 2003 amounted to HK\$1,319,663 (2002: HK\$1,850,379).

The Group's debt ratio measured by the total liabilities over the total assets was 6.44 as at 30 September 2003 compared to 4.64 as at 31 March 2003.

The Group's transactions are mainly denominated in Renminbi and Hong Kong dollars. Since there is little fluctuation in the exchange rates for Hong Kong dollars and Renminbi, the directors are of the opinion that the Group's exposure on exchange risk is insignificant.

Prospect

Following the successful financial restructuring of the Group and in face of the operating environment supporting by the CEPA agreement, the new board believes that, taking the advantage of the resources from the PRC and coupled with the Group's healthy financial position, it will diligently, with confidence and solid fundamental, well positioned to capture all the upcoming business opportunities arising from Hong Kong and PRC, develop existing business and enhance asset quality to improve operating results.