



**THE INDEPENDENT ACCOUNTANTS' REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
FUJIAN HOLDINGS LIMITED
(formerly known as Fujian Group Limited)**

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report for the six months ended 30 September 2003 as set out on pages 13 to 28.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants, except that the scope of our review was limited as explained below.

A review consists principally of making enquires of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.



The scope of our review was limited as set out below:

1. Opening balance sheet

The auditors had issued a disclaimer opinion on the financial statements of the Group for the year ended 31 March 2003 because of the significance of the possible effect of the limitations in evidence available to them. Any adjustments to the opening balances of the Group as at 31 March 2003 might have a consequential effect on the net liabilities of the Group as at 30 September 2003 and the results of the Group for the six months then ended.

2. Appointment of directors

As explained in note 1 to the interim financial report, the new directors, who are all appointed on 11 December 2003, have not been able at this moment to give an unqualified representation as to the completeness of the recording of the transactions entered into by the Group prior to their appointment and also as to whether the financial statements present a true and fair view of the Group's operations for the period ended 30 September 2003 and financial status as at 30 September 2003. As a consequence, we have been unable to obtain adequate assurance regarding the completeness and accuracy of the assets, liabilities, income and expenses as well as the disclosures appearing in the interim financial report.

3. Bank and other borrowings

We have not been able to obtain sufficient evidence in respect of the bank and other borrowings of HK\$399,995,595 and interest payable thereon of HK\$102,486,291 for the Group as at 30 September 2003 and the finance cost for the period ended 30 September 2003 of HK\$27,467,925. Accordingly, we have been unable to ascertain whether these amounts have been properly accounted for in the interim financial report.

4. Obligation to a jointly controlled entity

The Group provided for obligation to a jointly controlled entity in the amount of HK\$15,000,000 as at 30 September 2003, being the net exposure of the Group on the outstanding bank loan and other loan balances drawn down by the jointly controlled entity. However, in the absence of sufficient evidence, we have been unable to ascertain whether the obligation to a jointly controlled entity has been properly accounted for in the interim financial report.

5. Litigation claim by former directors

As explained in note 11(a) to the interim financial report, two former directors of the Company have lodged a claim against the Company demanding unpaid salaries, severance pay and entitled long service payments of HK\$5,722,581. The Company has served a counterclaim of HK\$6,581,892 for damages as a result of the unauthorised actions performed by these former directors without the knowledge and authority of the Company. A provision of HK\$1,111,358 has been made in the interim financial report in respect of the said unpaid salaries. However, we have been unable to obtain sufficient evidence to ascertain whether the provision made against the liabilities from the claim, taking into account of the Company's counterclaim, is sufficient.

6. Consultancy service fee payable to a former potential investor

As explained in note 11(b) to the interim financial report, one of the former potential investors is eligible to receive consultancy service fee of HK\$6,000,000 according to a memorandum of understanding dated 29 May 2002 (the "MOU") entered into between the Company and certain potential investors in relation to the possible restructuring of the Group. However, the Company disputes any such liability as the former potential investor has not fulfilled the conditions set out in the MOU. We have been unable to obtain sufficient evidence to ascertain whether the Company is liable to pay for the said liability.

In view of the foregoing, we have been unable to carry out all the review procedures or obtain all the information and explanations we considered necessary. Any adjustments arising in relation to the matters referred to in (1) to (6) above might have a consequential significant effect on the loss and cash flows for six months ended 30 September 2003 and the net liabilities of the Group as at that date.



FUNDAMENTAL UNCERTAINTY RELATING TO THE INCLUSION OF INTERESTS IN SUBSIDIARIES TO THE GROUP

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 12(i) to the interim financial report concerning the Group accounting for 100% equity interest in Yan Hei Limited ("Yan Hei") as a result of a Rescission Order issued on 23 February 2001. The Company has not yet executed the Rescission Order to register the 40% shareholdings in Yan Hei under its name as the Rescission Order did not include the detailed steps and procedures on how it was to be effected. A Procedural Order has been issued on 3 December 2003 which sets out the required steps and procedures to effect the Rescission Order. The Company is in the process of implementing the steps and procedures therein.

INABILITY TO REACH A REVIEW CONCLUSION

Because of the significance of the possible effect of the limitations in evidence available to us, we are unable to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended 30 September 2003.

RESTRUCTURING OF THE GROUP AFTER THE BALANCE SHEET DATE

We would draw to your attention that the pro forma net assets of the Group as at 31 March 2003, based on the unaudited management accounts of the Group after reflecting the financial effect of the Proposed Restructuring as detailed in note 12(a) to the interim financial report, amounted to approximately HK\$72,368,000.

Nexia Charles Mar Fan & Co.

Certified Public Accountants

Hong Kong, 28 January 2004