

DIRECTORS' REPORT

The Directors submit herewith their report together with the audited financial statements of Fujian Holdings Limited (the "Company") and its subsidiaries (collectively as the "Group") for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are investment holding and property investment.

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operation for the year ended 31 March 2004 is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results and cash flow of the Group for the year ended 31 March 2004 and the state of affairs of the Group and the Company as at 31 March 2004 are set out in the financial statements on pages 14 to 59.

The Directors do not recommend the payment of a dividend.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the statement of net assets/ liabilities of the Group for the last five financial years is set out on page 60.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases for the year respectively.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on page 16 and in note 27 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 15 to the financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investment purposes are set out on pages 61 to 62.

SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Company's subsidiaries, jointly controlled entities and associates as at 31 March 2004 are set out in notes 16, 17 and 18 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the financial statements.

DIRECTORS' REPORT

BANK AND OTHER BORROWINGS

Details of the Group's and the Company's borrowing as at 31 March 2004 are set out in note 21 to the financial statements.

CAPITALISED BORROWING COSTS

No borrowing costs were being capitalised during the year (2003: HK\$Nil).

RELATED PARTY TRANSACTION

Details of related party transactions are set out in note 34 to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 35 to the financial statements.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 26 to the financial statements.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive directors

Mr WANG Xiaowu (<i>Chairman</i>)	(appointed on 11 December 2003)
Ms MEI Qiping	(appointed on 11 December 2003)
Ms CHEN Danyun	(appointed on 11 December 2003)
Mr HUANG Jian Guan	(resigned on 11 December 2003)
Ms MA Xiao Hua	(resigned on 11 December 2003)
Mr WANG Hai Min	(resigned on 11 December 2003)
Mr SO Sik	(resigned on 11 December 2003)
Ms LI Huiru	(resigned on 11 December 2003)
Ms PAK Siu Pun, Ulanda	(resigned on 11 December 2003)

Independent non-executive directors

Mr LAM Kwong Siu	(appointed on 11 December 2003)
Mr CHEUNG Wah Fung, Christopher	(appointed on 11 December 2003)
Mr LAU Kin Hon	(resigned on 11 December 2003)
Mr LAU Yiu Kit	(resigned on 11 December 2003)

In accordance with article 92 of the Company's Articles of Association, Mr WANG Xiaowu, Ms MEI Qiping, Ms CHEN Danyun, Mr LAM Kwong Siu and Mr CHEUNG Wah Fung, Christopher shall hold office until the forthcoming annual general meeting and being eligible, offer themselves for re-election.

Mr LAM Kwong Siu and Mr CHEUNG Wah Fung, Christopher are independent non-executive directors of the Company with tenures of two years expiring on 10 December 2005.

DIRECTORS' REPORT

DIRECTORS PROFILE

Profile of the Company's directors is set out on page 7.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2004, none of the Directors of the Company were beneficially interested in or had short positions in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or which were required pursuant to the Model Code for Securities Transaction by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to the directors, as at 31 March 2004, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital:

Name of shareholder	Number of shares held	% of total issued shares
HC Technology Capital Company Limited ("HC Technology")	2,792,413,792 (a)	53.7
Fujian Investment and Development Company Limited ("FIDC")	2,792,413,792 (a)	53.7
Sino Earn Holdings Limited ("Sino Earn")	725,533,823 (b)	14.0
Fujian Huaxing Trust & Investment Company ("FHTI")	725,533,823 (b)	14.0
Fujian Huaxing Industrial Company ("FHIC")	725,533,823 (b)	14.0

DIRECTORS' REPORT

Notes:

- (a) HC Technology beneficially holds 2,792,413,792 shares in the Company. Pursuant to the SFO, FIDC is deemed to be interested in the 2,792,413,792 shares by virtue of its being beneficially interested in 100% of the issued share capital of HC Technology. FIDC is a state-owned corporation in the PRC.
- (b) Sino Earn beneficially holds 725,533,823 shares in the Company. Pursuant to the SFO, each of FHTI and FHIC is deemed to be interested in the 725,533,823 shares by virtue of their being beneficially interested in 30% and 70% of the issued capital of Sino Earn respectively. Both FHTI and FHIC are state-owned corporations in the PRC.

As at 31 March 2004, there is no short position recorded in the register maintained under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

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

AUDIT COMMITTEE

The Company has established an Audit Committee since August 1999 comprising all independent non-executive directors of the Company, currently Mr LAM Kwong Siu and Mr CHEUNG Wah Fung, Christopher, as members, which is in accordance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules (the "Code of Best Practice"). The principal duties of the Audit Committee include the review of the Company's financial reports and the effectiveness of Company's internal control systems.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

AUDITORS

The auditors of the Company for the financial years ended 31 March 2001 and 31 March 2002 were Moores Rowland and HLB Hodgson Impey Cheng respectively. Messrs Nexia Charles Mar Fan & Co. was appointed as auditors of the Group in place of Messrs. HLB Hodgson Impey Cheng in 2003.

The Company's auditors, Messrs. Nexia Charles Mar Fan & Co., retire and, being eligible, offer themselves for re-appointment.

For and on behalf of
Fujian Holdings Limited
Wang Xiaowu
 Chairman

Hong Kong, 27 July 2004