

AUDITORS' REPORT

TO THE MEMBERS OF FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 14 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the Directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, 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 profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

AUDITORS' REPORT

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the fact that because our opinion dated 4 September 2003 on the state of affairs of the Company and of the Group as at 31 March 2003 and of the loss and cash flows of the Group for the year ended 31 March 2003 was disclaimed for the scope limitation based on reasons summarised in the basis of opinion section therein, the comparative amounts shown in these financial statements may not be comparable with the amounts for the current year. The scope limitations referred therein had principally been resolved upon the completion of the Financial Restructuring on 11 December 2003 and thus they no longer had any major impact on the current year's financial statements.

Nexia Charles Mar Fan & Co.

Certified Public Accountants

Hong Kong, 27 July 2004