



## DIRECTORS' REPORT

The directors present their 2005 report and the audited financial statements of Fujian Holdings Limited (the "Company") and its subsidiaries (collectively as the "Group") for the year ended 31 March 2005.

### **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activities of the Company are investment holding and property investment and those of its subsidiaries are disclosed in note 15 to the financial statements.

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 2005 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 2005 and the state of affairs of the Group and the Company as at 31 March 2005 are set out in the financial statements on pages 18 to 52.

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 3.

### **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 20 and in note 23 to the financial statements.

### **FIXED ASSETS**

Details of the movements in fixed assets of the Group are set out in note 14 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 53 to 54.

### **SUBSIDIARIES AND ASSOCIATES**

Particulars of the Company's subsidiaries and associates as at 31 March 2005 are set out in notes 15 and 16 to the financial statements.

### **SHARE CAPITAL**

Details of the movements in share capital of the Company are set out in note 21 to the financial statements.

### **BANK AND OTHER BORROWINGS**

Details of the Group's and the Company's borrowing as at 31 March 2005 are set out in note 19 to the financial statements.



## DIRECTORS' REPORT - (Con't)

### CAPITALIZED BORROWING COSTS

No borrowing costs were being capitalized during the year (2004 : Nil).

### RELATED PARTY TRANSACTION

Details of related party transactions are set out in note 25 to the financial statements.

### SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 29 to the financial statements.

### SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 22 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 (*Chairman*)  
 Ms. MEI Qiping  
 Ms. CHEN Danyun

#### Non-executive directors:

Mr. CHEN Chuanzhong	(appointed on 24 September 2004 and resigned on 27 January 2005)
Mr. YE Tao	(appointed on 24 September 2004)
Mr. FENG Qiang	(appointed on 27 January 2005)

#### Independent non-executive directors:

Mr. LAM Kwong Siu	
Mr. CHEUNG Wah Fung, Christopher	
Mr. LEUNG Hok Lim	(appointed on 24 September 2004)

In accordance with article 101 of the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third shall hold office until the forthcoming annual general meeting and shall be eligible 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 and Mr. LEUNG Hok Lim is independent non-executive director of the Company with tenure of two years expiring on 23 September 2006.

### DIRECTORS AND SENIOR MANAGEMENT PROFILE

Profile of the Company's directors is set out on pages 8 to 9.



## DIRECTORS' REPORT - (Con't)

### 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 2005, 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 2005, 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 shareholders	Number of shares held	% of total issued shares
HC Technology Capital Company Limited ("HC Technology")	279,241,379 (a)	53.7
Fujian Investment and Development Company Limited ("FIDC")	279,241,379 (a)	53.7
Sino Earn Holdings Limited ("Sino Earn")	72,553,382 (b)	14.0
Fujian Huaxing Trust & Investment Company ("FHTI")	72,553,382 (b)	14.0
Fujian Huaxing Industrial Company ("FHIC")	72,553,382 (b)	14.0

**DIRECTORS' REPORT - (Con't)***Notes:*

- (a) HC Technology beneficially holds 279,241,379 shares in the Company. Pursuant to the SFO, FIDC is deemed to be interested in the 279,241,379 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 72,553,382 shares in the Company. Pursuant to the SFO, each of FHTI and FHIC is deemed to be interested in the 72,553,382 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 2005, 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.

**AUDITORS**

During the year, Messrs. Nexia Charles Mar Fan & Co. resigned as auditors of the Company and Messrs. HLB Hodgson Impey Cheng were appointed by the directors to fill the casual vacancy so arising. A resolution for the reappointment of Messrs. HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Wang Xiaowu**  
*Chairman*

Hong Kong, 14 July 2005