# FUJIAN HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 181)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

**FINANCIAL HIGHLIGHT**

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | **15,935** | 13,753 |
| Profit attributable to the equity holders of the Company | **25,966** | 10,076 |
| Earnings per share | | |
| Basic (HK cents per share) | **4.92** | 1.94 |
| Diluted (HK cents per share) | **4.87** | 1.93 |

**RESULTS**

The board of directors (the "Board") of Fujian Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2007, together with the audited comparative figures for the year ended 31 December 2006 as follows:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2007 (in HK Dollars)*

| | *Notes* | **2007** | 2006 |
|---|---|---|---|
| **Revenue** | *3* | **15,935,467** | 13,753,227 |
| **Other income** | *5* | **1,745,657** | 9,811,657 |
| **Other gains** | *6* | **1,169,016** | 4,925,840 |
| **Staff costs** | | **(5,402,281)** | (5,742,541) |
| **Depreciation** | | **(3,944,031)** | (3,511,603) |
| **Amortisation of prepaid lease payment** | | **(2,061,674)** | (2,058,577) |
| **Impairment loss reversed in respect of hotel property** | | **–** | 5,359,832 |
| **Impairment loss (recognised)/reversed in respect of prepaid lease payment** | | **(938,326)** | 58,577 |
| **Gain on fair value changes of investment properties** | | **1,500,000** | 1,600,000 |
| **Impairment loss reversed in respect of amount due from an associate** | | **–** | 650,000 |
| **Impairment losses (recognised)/reversed in respect of trade receivables** | | **(638,435)** | 737,038 |
| **Impairment loss recognised in respect of other receivable** | | **(4,250,580)** | – |
| **Impairment loss reversed in respect of other receivable** | | **30,725,427** | – |
| **Waiver of interest payable on borrowings** | | **2,552,245** | – |
| **Share of profits/(losses) of associates** | | **2,530,720** | (141,797) |
| **Finance costs** | *7* | **–** | (3,220,541) |
| **Other operating expenses** | | **(12,735,756)** | (11,106,397) |
| **Profit before tax** | | **26,187,449** | 11,114,715 |
| **Income tax expense** | *8* | **(221,532)** | (1,038,684) |
| **Profit for the year** | *9* | **25,965,917** | 10,076,031 |
| **Earnings per share** | | | |
| **Basic (HK cents per share)** | *10* | **4.92** | 1.94 |
| **Diluted (HK cents per share)** | *10* | **4.87** | 1.93 |

## CONSOLIDATED BALANCE SHEET

*At 31 December 2007 (in HK Dollars)*

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **51,504,553** | 55,839,545 |
| Prepaid lease payment | | **36,000,000** | 39,000,000 |
| Investment properties | | **16,600,000** | 15,100,000 |
| Interests in associates | | **17,448,121** | 14,643,001 |
| | | **121,552,674** | 124,582,546 |
| **Current assets** | | | |
| Inventories | | **99,529** | 227,750 |
| Trade and other receivables | *11* | **941,349** | 4,888,269 |
| Bank balances and cash | | **16,816,032** | 18,879,382 |
| | | **17,856,910** | 23,995,401 |
| **Current liabilities** | | | |
| Borrowings | *12* | **2,133,379** | 10,307,221 |
| Interest payable on borrowings | | **–** | 16,491,773 |
| Trade and other payables | *13* | **10,330,588** | 2,673,266 |
| | | **12,463,967** | 29,472,260 |
| **Net current assets/(liabilities)** | | **5,392,943** | (5,476,859) |
| **Total assets less current liabilities** | | **126,945,617** | 119,105,687 |
| **Capital and reserves** | | | |
| Equity attributable to the equity holders of the Company | | | |
| Share capital | | **66,597,500** | 65,000,000 |
| Reserves | | **52,551,371** | 27,596,175 |
| **Total equity** | | **119,148,871** | 92,596,175 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **7,796,746** | 7,575,214 |
| Borrowings | *12* | **–** | 13,951,588 |
| Trade and other payables | *13* | **–** | 4,982,710 |
| | | **7,796,746** | 26,509,512 |
| | | **126,945,617** | 119,105,687 |

*Notes*

## 1. BASIS OF PREPARATION OF THE FINANCIAL RESULTS

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, of the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

| | | *Notes* |
|---|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements | *1* |
| HKAS 23 (Revised) | Borrowing Costs | *1* |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements | *2* |
| HKFRS 8 | Operating Segments | *1* |
| HK(IFRIC)-Int 11 | HKFRS 2 – Group and Treasury Share Transactions | *3* |
| HK(IFRIC)-Int 12 | Service Concession Arrangements | *4* |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes | *5* |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | *4* |

*Notes:*

1. *Effective for annual periods beginning on or after 1 January 2009*
2. *Effective for annual periods beginning on or after 1 July 2009*
3. *Effective for annual periods beginning on or after 1 March 2007*
4 *Effective for annual periods beginning on or after 1 January 2008*
5. *Effective for annual periods beginning on or after 1 July 2008*

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

## 3. REVENUE

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Gross rental income from letting of investment properties | **988,103** | 986,500 |
| Revenue from hotel operations | **14,947,364** | 12,766,727 |
| | **15,935,467** | 13,753,227 |

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into two operating divisions – property investment and hotel operations. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property investment – the rental of investment properties

Hotel operations – the operation of hotel

Segment information about these businesses is presented below.

| | **Property investment** | | **Hotel operations** | | **Consolidated** | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | **2006** | **2007** | 2006 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| REVENUE | | | | | | |
| Revenue from external customers | **988,103** | 986,500 | **14,947,364** | 12,766,727 | **15,935,467** | 13,753,227 |
| RESULT | | | | | | |
| Segment result | **949,650** | 936,221 | **31,235,610** | 7,820,324 | **32,185,260** | 8,756,545 |
| Unallocated income | | | | | **3,253,771** | 6,651,337 |
| Unallocated corporate expenses | | | | | **(11,782,302)** | (930,829) |
| Share of profits/(losses) of associates | | | | | **2,530,720** | (141,797) |
| Finance costs | | | | | **–** | (3,220,541) |
| Profit before tax | | | | | **26,187,449** | 11,114,715 |
| Income tax expense | | | | | **(221,532)** | (1,038,684) |
| Profit for the year | | | | | **25,965,917** | 10,076,031 |

| | Property investment | | Hotel operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| BALANCE SHEET | | | | | | |
| **Assets** | | | | | | |
| Segment assets | **33,048,589** | 34,256,686 | **88,912,204** | 99,669,409 | **121,960,793** | 133,926,095 |
| Interests in associates | **17,448,121** | 14,643,001 | **–** | – | **17,448,121** | 14,643,001 |
| Unallocated corporate assets | | | | | **670** | 8,851 |
| Consolidated total assets | | | | | **139,409,584** | 148,577,947 |
| **Liabilities** | | | | | | |
| Segment liabilities | **(548,286)** | (859,172) | **(11,915,681)** | (6,796,804) | **(12,463,967)** | (7,655,976) |
| Unallocated corporate liabilities | | | | | **(7,796,746)** | (48,325,796) |
| Consolidated total liabilities | | | | | **(20,260,713)** | (55,981,772) |
| **Other information** | | | | | | |
| Capital additions | **–** | 131,416 | **365,869** | 5,451,088 | **365,869** | 5,582,504 |
| Depreciation of property, plant and equipment | **75,377** | 107,052 | **3,868,654** | 3,404,551 | **3,944,031** | 3,511,603 |
| Amortisation of prepaid lease payment | **–** | – | **2,061,674** | 2,058,577 | **2,061,674** | 2,058,577 |
| Gain on fair value changes of investment properties | **(1,500,000)** | (1,600,000) | **–** | – | **(1,500,000)** | (1,600,000) |
| Reversal of impairment loss on hotel property | **–** | – | **–** | (5,359,832) | **–** | (5,359,832) |
| Provision for/(Reversal of) impairment loss on prepaid lease payment | **–** | – | **938,326** | (58,577) | **938,326** | (58,577) |
| Loss on disposal of property, plant and equipment | **–** | 351,882 | **1,067,806** | 63,297 | **1,067,806** | 415,179 |
| Impairment loss on trade receivable | **–** | – | **638,435** | – | **638,435** | – |
| Impairment loss on other receivable | **–** | – | **4,250,580** | – | **4,250,580** | – |
| Reversal of impairment losses on trade receivables | **–** | (737,038) | **–** | – | **–** | (737,038) |
| Reversal of impairment loss on other receivable | **–** | – | **(30,725,427)** | – | **(30,725,427)** | – |
| Waiver of interest payable on borrowings | **–** | – | **(2,552,245)** | – | **(2,552,245)** | – |
| Reversal of impairment loss on amount due from an associate | **–** | (650,000) | **–** | – | **–** | (650,000) |
| Reversal of impairment loss on investment in an associate | **–** | (1) | **–** | – | **–** | (1) |
| Write-down of inventories | **–** | – | **136,894** | 4,626 | **136,894** | 4,626 |

**Geographical segments**

The Group's two divisions operate in two principal geographical areas – the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong.

The following table provides an analysis of the Group's revenue by geographical markets:

| | Hong Kong | | PRC | | Total | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| Revenue from external customers | **988,103** | 986,500 | **14,947,364** | 12,766,727 | **15,935,467** | 13,753,227 |

The following is an analysis of the carrying amounts of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

| | Carrying amounts of segment assets | | Additions to property, plant and equipment | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| PRC | **88,816,988** | 96,688,330 | **365,869** | 5,451,088 |
| Hong Kong | **50,592,596** | 51,889,617 | **–** | 131,416 |
| | **139,409,584** | 148,577,947 | **365,869** | 5,582,504 |

## 5. OTHER INCOME

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Income from granting the management right of the Group's hotel | **1,017,443** | 2,918,914 |
| Management service income | **–** | 712,329 |
| Loan interest from a fellow subsidiary | **–** | 628,808 |
| Bank interest income | **574,758** | 330,450 |
| Sundry income received from Sunshine Group | **–** | 5,167,246 |
| Others | **153,456** | 53,910 |
| | **1,745,657** | 9,811,657 |

## 6. OTHER GAINS

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Net foreign exchange gains | **1,169,016** | 4,739,390 |
| Impairment loss reversed in respect of investment in an associate | **–** | 1 |
| Gain on disposal of an associate | **–** | 186,449 |
| | **1,169,016** | 4,925,840 |

## 7. FINANCE COSTS

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Interest on borrowings wholly repayable within five years | **–** | 3,220,541 |

## 8. INCOME TAX EXPENSE

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Deferred tax | | |
| Current year | **(1,293,511)** | 1,038,684 |
| Attributable to a change in tax rate | **1,515,043** | – |
| | **221,532** | 1,038,684 |

## 9. PROFIT FOR THE YEAR

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Profit for the year has been arrived at after charging/(crediting):** | | |
| Gross rental income from investment properties | **(988,103)** | (986,500) |
| Less: Direct operating expenses from investment properties that generated rental income during the year | **38,453** | 50,279 |
| | **(949,650)** | (936,221) |
| Depreciation of hotel property | **2,643,172** | 2,359,832 |
| Depreciation of other property, plant and equipment | **1,300,859** | 1,151,771 |
| | **3,944,031** | 3,511,603 |
| Amortisation of prepaid lease payment | **2,061,674** | 2,058,577 |
| Total depreciation and amortisation | **6,005,705** | 5,570,180 |
| Auditors' remuneration | **495,000** | 450,000 |
| Loss on disposal of property, plant and equipment | **1,067,806** | 415,179 |
| Salaries and other benefits (including directors' remunerations) | **5,145,467** | 5,456,753 |
| Retirement benefit scheme contributions | **256,814** | 285,788 |
| Staff costs | **5,402,281** | 5,742,541 |
| Share of tax of associates (included in share of profits/(losses) of associates) | **282,728** | 232,675 |
| Write-down of inventories | **136,894** | 4,626 |

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company) | **25,965,917** | 10,076,031 |
| Effect of dilutive potential ordinary shares | **–** | – |
| Earnings for the purpose of diluted earnings per share | **25,965,917** | 10,076,031 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **527,562,959** | 520,000,000 |
| Effect of dilutive potential ordinary shares: Share options issued by the Company | **5,797,800** | 2,172,500 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **533,360,759** | 522,172,500 |

## 11. TRADE AND OTHER RECEIVABLES

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Trade receivables | **1,214,170** | 1,127,803 |
| Less: Allowance for doubtful debts | **(638,435)** | – |
| | **575,735** | 1,127,803 |
| Other receivables, utility deposits and prepayments | **15,698,830** | 44,010,546 |
| Less: Allowance for doubtful debts | **(15,333,216)** | (40,250,080) |
| | **365,614** | 3,760,466 |
| Total trade and other receivables | **941,349** | 4,888,269 |

## 12. BORROWINGS

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Secured | **2,133,379** | 22,920,466 |
| Unsecured | **–** | 1,338,343 |
| | **2,133,379** | 24,258,809 |
| Carrying amount repayable | | |
| On demand or within one year | **2,133,379** | 10,307,221 |
| More than one year, but not exceeding two years | **–** | 4,982,710 |
| More than two years but not more than five years | **–** | 8,968,878 |
| | **2,133,379** | 24,258,809 |
| Less: Amounts due within one year shown under current liabilities | **(2,133,379)** | (10,307,221) |
| | **–** | 13,951,588 |

## 13. TRADE AND OTHER PAYABLES

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Trade payables | **664,830** | 492,143 |
| Other payables | **9,665,758** | 7,163,833 |
| | **10,330,588** | 7,655,976 |
| Less: Other payables classified as non-current liabilities | **–** | (4,982,710) |
| Total trade and other payables | **10,330,588** | 2,673,266 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The financial status of the Group was further improved. Total assets less current liabilities increased by approximately HK$7.84 million to approximately HK$126.95 million for the year ended 31 December 2007 from approximately HK$119.11 million last year. For the year ended 31 December 2007, the Group recorded profit attributable to the equity holders of the Company of approximately HK$25.97 million as compared with an profit attributable to the equity holders of the Company of approximately HK$10.08 million last year. Basic earnings per share posted HK4.92 cents as compared with basic earnings per share of HK1.94 cents last year.

## OPERATIONAL REVIEW

### a. Star-rated Hotel Operation

Star-rated hotel operation is the major sources of revenue for the Group. For the year ended 31 December 2007, the turnover of the hotel was approximately HK$14.95 million (2006: HK$12.77 million), representing an increase of approximately 17% from the corresponding financial year. The increase was mainly resulted from the increase in occupancy rate and the appreciation of Renminbi against Hong Kong Dollar for the period under review.

Satisfactory results were achieved from our debt restructuring program upon completion of the debt restructuring of Xiamen South East Asia Hotel (the “Hotel”), and the conclusion of the claim and debt restructuring agreement with creditors regarding Investment 2234 China Fund I B.V. and gain on financial restructuring approximately HK$33.28 million (2006: Nil) was recorded for the year under review.

Impairment loss on doubtful receivables for HK$4.89 million was charged to the Income Statement for the period under review on prudent basis (2006: Nil). Pursuant to the predetermined terms and conditions, management of the Company is negotiating with debtors for the recovery of these receivables.

The Group procured the contract for undertaking the management of the Hotel. After repeated liaisons with the contracting party, the Group was ultimately able to require the contracting party, through legal means, to pay the debt service fund in arrears and withdraw from the contract, and completed the work left by the contracting party.

### b. Hong Kong properties held by the Group

The occupancy rate for the properties of the Group maintained at over 90% during the previous two years. It brought steady rental income to the Group.

For the year ended 31 December 2007, the rental income of properties in Hong Kong was approximately HK$0.99 million, while last year's was approximately HK$0.99 million.

c. **Piano Manufacturing**

The Group diversified its business into the piano manufacturing sector by acquiring a 25% equity interest of Harmony Piano on 2005. This business interest is expected to contribute a reasonable profit to the Group for the coming years.

## POST BALANCE SHEET EVENTS

(i) On 4 March 2008, the Group entered into an agreement with Sunshine Group and 廈門敦睦酒店管理有限公司 (Xiamen Friendship International Co., Ltd) ("Friendship International"). Pursuant to the agreement Sunshine Group had agreed to transfer the management right of the Group's hotel to Friendship International. On the same date, the Group entered into a management contract with Friendship International in relation to the appointment of Friendship International to manage the daily operation of the Hotel for a period of five years.

(ii) On 31 March 2008, the Group entered into a sale and purchase agreement to dispose of its entire equity interests in Ealing Court Limited, an associate of the Company at 31 December 2007, to the existing shareholders at a consideration of HK$5,020,321.

(iii) On 31 March 2008, the Group entered into a sale and purchase agreement to acquire a property from Ealing Court Limited at a consideration of HK$5,100,000.

## FUTURE DEVELOPMENT

The Group is actively looking for business opportunities for future development, striving to select products with potential, so as to generate higher returns in the market. The Directors believe this could bring long term revenue growth and room for future business development to the Group, and to reduce its reliance on property lease in Hong Kong and hotel operation in China.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group had total borrowings of approximately HK$2.13 million for the year ended 31 December 2007 (2006: approximately HK$24.3 million) and repayable within one year (2006: approximately HK$10.3 million). For the year ended 31 December 2007 the Group's gearing ratio decreased from 26% last year to 2%, which was calculated based on interest bearing borrowings to total shareholders' equity.

For the year ended 31 December 2007, the Group had current assets of approximately HK$17.86 million (2006: approximately HK$24 million) and current liabilities of approximately HK$12.46 million (2006: approximately HK$29.5 million). For the year ended 31 December 2007, the Group had total assets of approximately HK$139.41 million and total liabilities of approximately HK$20.26 million, and a debt ratio (total liabilities over total assets) of approximately 15% (2006: approximately 38%).

## CAPITAL STRUCTURE OF THE GROUP

The Group's monetary assets, loan and transactions are principally denominated in Hong Kong dollars and Renminbi. Operating outgoings incurred by the Group's subsidiary in the PRC are mainly denominated in RMB, which usually receives revenue in RMB as well. The management is of the opinion that the Group's exposure to foreign exchange rate risks is not significant, and hedging by means of derivative instruments is considered unnecessary.

The funding and treasury policies of existing subsidiaries of the Group are centrally managed and controlled by the top management of the Group in Hong Kong.

## CHARGE ON ASSETS AND CONTINGENT LIABILITIES

For the year ended 31 December 2007, the loan of HK$2.13 million (2006: HK$22.92 million) was secured by the Group's 40% interests in Xiamen Plaza. On 24 February 2008, the Group subsequently repaid the loan and procedures on release of the property from charge are in progress. Neither other properties nor any bank deposits of the Group was pledged to secure banking facilities granted to the Group.

For the year ended 31 December 2007, the Group had no material contingent liabilities.

## HUMAN RESOURCES

As at 31 December 2007, the Group had approximately 129 employees in Hong Kong and the PRC. The remuneration package was determined with reference to performance and prevailing salary levels in the market. The Group also provides employees with training, mandatory provident fund scheme and medical insurance cover.

## DIVIDENDS

The Company did not propose any dividends for the year ended 31 December 2007. The Directors do not recommend the payment of a dividend for the year ended 31 December 2007.

## RISK MANAGEMENT

The Company's management believes that risk management is an essential component of the Group's administrative structure. The management assists the Board of Directors in evaluating material risk exposure existing in the Group's business, including investment risk, interest rate risk, liquidity risk etc, and participates in designing and formulating appropriate risk management and internal control measures, and to ensure its implementation in daily operational management.

The management considers that the investment risk management measures provide guarantee to the Group through its way of seeking new development opportunities, as to secure reasonable return in every investment, to reduce investment risks and to avoid possible loss attributable to investments.

The Group's risk management towards liquidity aims to ensure that under all circumstances there exists sufficient capital to fulfill repayment obligations of all debts due, to maintain good creditworthiness, to finance reasonable investment opportunities and to fuel business development. The Group's accounting department is responsible for daily financial activities and monitors liquidity position from time to time to cope with business operation of the Company.

## CORPORATE GOVERNANCE

The Directors consider that throughout the year ended 31 December 2007, the Company has complied with the Code on Corporate Governance Practices ("Code on Corporate Governance") as set out in Appendix 14 of the Listing Rules. The Company had received from each of the Independent Non-executive Directors a verbal confirmation of his/her independence.

The Company has adopted the Code on Corporate Governance. The Company had made specific enquiries to all Directors regarding any noncompliance with the Code on Corporate Governance during the year ended 31 December 2007, and had received confirmations from all Directors that they had fully complied with the required standard set out in the Code on Corporate Governance during the year ended 31 December 2007.

## AUDIT COMMITTEE

The Audit Committee of the Group was established in 1999. Currently, it comprises three members, all of whom are Independent Non-executive Directors, namely Mr. Leung Hok Lim who possesses professional accounting qualification, Mr. Lam Kwong Siu and Mr. Cheung Wah Fung, Christopher. Mr. Leung Hok Lim is the Chairman of the Audit Committee. The Audit Committee has adopted the term of reference in line with the Code on Corporate Governance Practices issued by the Stock Exchange. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. Two regular meetings have been held by the Audit Committee during the year. Each Committee meeting was provided with necessary financial information of the Group for consideration, review and assessment of major issues. The Audit Committee has reviewed with management and the Group's external auditors, Messrs. HLB Hodgson Impey Cheng, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of connected transactions and the consolidated financial statements.

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

Neither the Company nor its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted Appendix 10 to the Listing Rules, the Model Code, as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have complied with the requirements set out in the Model Code for the year ended 31 December 2007.

## PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.fujianholdings.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2007 will be dispatched to shareholders of the Company and available on the above websites in due course.

## AUDIT COMMITTEE AND AUDITORS

The Audit Committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2007. The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 as set out in this announcement have been agreed by the Group's auditors, Messrs. HLB Hodgson Impey Cheng, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. HLB Hodgson Impey Cheng in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. HLB Hodgson Impey Cheng on this announcement.

## ACKNOWLEDGEMENTS

I would like to take this opportunity to extend my sincere gratitude to all shareholders, business partners and customers for their support, and to all our colleagues for their efforts, hard work and dedication. Their hardwork represents the foundation of the Group's future business development.

By Order of the Board
**Fujian Holdings Limited**
**Wang Xiaowu**
*Chairman*

Hong Kong, 17 April 2008

*As at the date of this announcement, the existing board of Directors comprises eight Directors, including three executive Directors, namely Mr. Wang Xiaowu, Mr. Wang Ruilian and Mr. Liu Xiaoting, two non-executive Directors, namely Mr. Feng Qiang and Mr. Ye Tao and three independent non-executive Directors, namely Mr. Lam Kwong Siu, Mr. Cheung Wah Fung, Christopher and Mr. Leung Hok Lim.*