# FUJIAN HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 00181)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

**FINANCIAL HIGHLIGHT**

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | **17,777** | 16,667 |
| Profit attributable to owners of the Company | **4,225** | 3,616 |
| Earnings per share | | |
| Basic (HK cents per share) | **0.79** | 0.68 |
| Diluted (HK cents per share) | **0.79** | 0.68 |

**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 2009, together with the audited comparative figures for the year ended 31 December 2008 as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2009 (in HK Dollars)*

| | *Notes* | **2009** | 2008 |
|---|---|---|---|
| **Revenue** | *3* | **17,776,714** | 16,667,080 |
| **Other income** | *5* | **5,575,800** | 4,401,750 |
| **Other gains and losses** | *6* | **3,885,848** | 5,193,098 |
| **Employee benefits expense** | | **(6,966,881)** | (6,100,863) |
| **Depreciation** | | **(3,325,820)** | (3,993,709) |
| **Amortisation of prepaid lease payment** | | **(2,009,302)** | (2,009,302) |
| **Share of profit of an associate** | | **780,443** | 666,420 |
| **Other operating expenses** | | **(11,071,490)** | (11,179,391) |
| **Profit before tax** | | **4,645,312** | 3,645,083 |
| **Income tax expense** | *7* | **(420,471)** | (29,448) |
| **Profit for the year** | *8* | **4,224,841** | 3,615,635 |
| **Other comprehensive income** | | | |
| Exchange differences on translating foreign operations | | **(3,908)** | (410,842) |
| **Other comprehensive income for the year** | | **(3,908)** | (410,842) |
| **Total comprehensive income for the year** | | **4,220,933** | 3,204,793 |
| **Earnings per share** | | | |
| **Basic (HK cents per share)** | *9* | **0.79** | 0.68 |
| **Diluted (HK cents per share)** | *9* | **0.79** | 0.68 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2009 (in HK Dollars)*

| | *Notes* | **2009** | 2008 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **42,088,434** | 47,816,963 |
| Prepaid lease payment | | **29,827,937** | 33,990,698 |
| Investment properties | | **25,560,000** | 18,910,000 |
| Interest in an associate | | **8,791,378** | 7,984,808 |
| | | **106,267,749** | 108,702,469 |
| **Current assets** | | | |
| Inventories | | **100,813** | 105,517 |
| Trade and other receivables | *10* | **2,573,664** | 3,163,927 |
| Time deposits | | **18,584,280** | — |
| Bank balances and cash | | **17,247,800** | 29,899,372 |
| | | **38,506,557** | 33,168,816 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **4,282,181** | 6,038,516 |
| **Net current assets** | | **34,224,376** | 27,130,300 |
| **Total assets less current liabilities** | | **140,492,125** | 135,832,769 |
| **Capital and reserves** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | **66,597,500** | 66,597,500 |
| Reserves | | **59,977,097** | 55,756,164 |
| **Total equity** | | **126,574,597** | 122,353,664 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **8,246,665** | 7,826,194 |
| Trade and other payables | | **5,670,863** | 5,652,911 |
| | | **13,917,528** | 13,479,105 |
| | | **140,492,125** | 135,832,769 |

*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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("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 all the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. The new and revised standards, amendments and interpretations adopted in the current year are referred to as new and revised HKFRSs.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

**New and revised HKFRSs affecting presentation and disclosure only**

***HKAS 1 (Revised 2007) Presentation of Financial Statements***

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

***HKFRS 8 Operating Segments***

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 4).

***Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)***

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in relation to fair value measurements in accordance with the transitional provision set out in the amendments.

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

| | |
|---|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009[2] |
| HKAS 24 (Revised) | Related Party Disclosures[6] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[1] |
| HKAS 32 (Amendment) | Classification of Rights Issues[4] |
| HKAS 39 (Amendment) | Eligible Hedged Items[1] |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters[3] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5] |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions[3] |
| HKFRS 3 (Revised) | Business Combinations[1] |
| HKFRS 9 | Financial Instruments[7] |
| HK(IFRIC) – Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement[6] |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owners[1] |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[5] |

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs 2009 issued in May 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 has no effect on the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on consolidated financial statements.

## 3. REVENUE

| | 2009 | 2008 |
|---|---|---|
| Gross rental income from letting of investment properties | **1,367,820** | 1,391,946 |
| Revenue from hotel operations | **16,408,894** | 15,275,134 |
| | **17,776,714** | 16,667,080 |

## 4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. For the purposes of assessing performance and allocating resources, the CODM reviews revenue and operating results of businesses of property investment and hotel operations. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 nor has the adoption of HKFRS 8 changed the basis of measure of segment profit or loss.

The Group's operating and reportable segments under HKFRS 8 are as follows:

Property investment — the rental of investment properties

Hotel operations — the operation of hotel

**Segment revenues and results**

The following is an analysis of the Group's revenue and results by reportable segments:

| | Property investment | | Hotel operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **REVENUE** | | | | | | |
| Revenue from external customers | **1,367,820** | 1,391,946 | **16,408,894** | 15,275,134 | **17,776,714** | 16,667,080 |
| **RESULT** | | | | | | |
| Segment result before other gains/(losses): | **1,045,150** | 1,274,574 | **3,546,202** | 5,705,046 | **4,591,352** | 6,979,620 |
| Gain/(Loss) arising on change in fair value of investment properties | **7,993,544** | (1,629,642) | **—** | — | **7,993,544** | (1,629,642) |
| Gain on disposal of investment property | **1,411,049** | 4,111,203 | **—** | — | **1,411,049** | 4,111,203 |
| Impairment loss on property, plant and equipment | **—** | — | **(3,034,190)** | — | **(3,034,190)** | — |
| Impairment loss on prepaid lease payment | **—** | — | **(2,153,459)** | — | **(2,153,459)** | — |
| Segment result | **10,449,743** | 3,756,135 | **(1,641,447)** | 5,705,046 | **8,808,296** | 9,461,181 |
| Unallocated income | | | | | **296,336** | 935,467 |
| Central administration costs | | | | | **(5,239,763)** | (5,460,697) |
| Loss on disposal of associates | | | | | **—** | (1,957,288) |
| Share of profit of an associate | | | | | **780,443** | 666,420 |
| Profit before tax | | | | | **4,645,312** | 3,645,083 |
| Income tax expense | | | | | **(420,471)** | (29,448) |
| Profit for the year | | | | | **4,224,841** | 3,615,635 |

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2008: nil).

Segment profit represents the profit earned by each segment without allocation of bank interest income and other unallocated income, central administration costs including directors' remuneration, loss on disposal of associates, share of profit of an associate and income tax expense. This is the measurement reported to the CODM for the purposes of resource allocation and assessment of segment performance.

**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segments:

| | Property investment | | Hotel operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **ASSETS** | | | | | | |
| Segment assets | **61,695,182** | 49,140,726 | **74,284,117** | 84,741,072 | **135,979,299** | 133,881,798 |
| Interest in an associate | | | | | **8,791,378** | 7,984,808 |
| Unallocated corporate assets | | | | | **3,629** | 4,679 |
| Consolidated total assets | | | | | **144,774,306** | 141,871,285 |
| **LIABILITIES** | | | | | | |
| Segment liabilities | **(610,218)** | (686,092) | **(9,336,826)** | (10,995,335) | **(9,947,044)** | (11,681,427) |
| Unallocated corporate liabilities | | | | | **(8,252,665)** | (7,836,194) |
| Consolidated total liabilities | | | | | **(18,199,709)** | (19,517,621) |
| **Other segment information** | | | | | | |
| Capital additions | **20,000** | 9,246,667 | **912,628** | 58,769 | **932,628** | 9,305,436 |
| Depreciation of property, plant and equipment | **22,476** | 66,469 | **3,303,344** | 3,927,240 | **3,325,820** | 3,993,709 |
| Amortisation of prepaid lease payment | **—** | — | **2,009,302** | 2,009,302 | **2,009,302** | 2,009,302 |
| (Gain)/Loss arising on change in fair value of investment properties | **(7,993,544)** | 1,629,642 | **—** | — | **(7,993,544)** | 1,629,642 |
| Gain on disposal of investment property | **(1,411,049)** | (4,111,203) | **—** | — | **(1,411,049)** | (4,111,203) |
| Impairment loss on prepaid lease payment | **—** | — | **2,153,459** | — | **2,153,459** | — |
| Loss on disposal and write-off of property, plant and equipment | **30,236** | 2,756 | **279,608** | 1,814 | **309,844** | 4,570 |
| Impairment loss on trade receivables | **—** | — | **12** | 345,002 | **12** | 345,002 |
| Impairment loss on other receivables | **—** | — | **68,788** | 9,170 | **68,788** | 9,170 |
| Impairment loss on property, plant and equipment | **—** | — | **3,034,190** | — | **3,034,190** | — |
| Reversal of impairment loss on other receivables | **—** | — | **—** | (4,505,182) | **—** | (4,505,182) |
| Waiver of other payable | **—** | — | **(2,152,804)** | — | **(2,152,804)** | — |
| Write-down of inventories | **—** | — | **—** | 25,807 | **—** | 25,807 |

***For the purposes of monitoring segment performance and allocating resources between segments:***

All assets are allocated to reportable segments other than certain bank balance and interest in an associate.

All liabilities are allocated to reportable segments other than certain balance of current liabilities and deferred tax liabilities.

**Geographical segments**

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

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

| | **Revenue from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| PRC | **16,408,894** | 15,275,134 | **80,646,412** | 89,698,420 |
| Hong Kong | **1,367,820** | 1,391,946 | **25,621,337** | 19,004,049 |
| | **17,776,714** | 16,667,080 | **106,267,749** | 108,702,469 |

No external customers of the Group contributed over 10% of the Group's revenue for the year ended 31 December 2009 and 2008.

## 5. OTHER INCOME

| | **2009** | 2008 |
|---|---|---|
| Income from granting the management right of the Group's hotel *(notes (i), (ii), (iii) and (iv))* | **3,097,965** | 3,942,627 |
| Bank interest income | **244,784** | 416,453 |
| Waiver of other payable | **2,152,804** | — |
| Others | **80,247** | 42,670 |
| | **5,575,800** | 4,401,750 |

*Notes:*

(i) On 30 June 2004, Yan Hei Limited ("Yan Hei"), a wholly owned subsidiary of the Company, entered into a management contract with an independent third party, 福建陽光集團有限公司 (Fujian Sunshine Group Limited) ("Sunshine Group") in relation to the appointment of Sunshine Group to manage the daily operation of Xiamen South East Asia Hotel (the "Hotel"), a hotel owned by Xiamen South East Asia Company Limited ("Xiamen Plaza"), a wholly-owned subsidiary of Yan Hei, for a period of ten years.

(ii) On 4 March 2008, Yan Hei and Xiamen Plaza 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 agreed to transfer the management right of the Hotel to Friendship International.

(iii) On 4 March 2008, Xiamen Plaza entered into a management contract ("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. Friendship International paid RMB5 million as security deposit to Xiamen Plaza, which is refundable upon expiry of the Management Contract.

(iv) The Hotel remains the property of the Group at all time under the Management Contract and there will not be a transfer of ownership of the Hotel at or after the completion of the Management Contract. Xiamen Plaza is entitled to receive income from Friendship International which is calculated in accordance with the terms of the Management Contract.

## 6. OTHER GAINS AND LOSSES

| | **2009** | 2008 |
|---|---|---|
| Gain/(Loss) arising on change in fair value of investment properties | **7,993,544** | (1,629,642) |
| Impairment loss recognised on property, plant and equipment | **(3,034,190)** | — |
| Impairment loss recognised on prepaid lease payment | **(2,153,459)** | — |
| Impairment loss recognised on trade receivables | **(12)** | (345,002) |
| Impairment loss recognised on other receivables | **(68,788)** | (9,170) |
| Impairment loss reversed on other receivables | **—** | 4,505,182 |
| Loss on disposal of associates | **—** | (1,957,288) |
| Loss on disposal and write-off of property, plant and equipment | **(309,844)** | — |
| Net foreign exchange gains | **47,548** | 517,815 |
| Gain on disposal of investment property | **1,411,049** | 4,111,203 |
| | **3,885,848** | 5,193,098 |

## 7. INCOME TAX EXPENSE

| | **2009** | 2008 |
|---|---|---|
| Deferred tax | | |
| Current year | **(362,148)** | (836,857) |
| Attributable to a change in tax rate | **782,619** | 866,305 |
| | **420,471** | 29,448 |

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which was effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company had agreed tax losses brought forward to set off against the assessable profits and its Hong Kong subsidiaries did not have any assessable profits for the year (2008: Nil).

The provision for PRC Enterprise Income Tax is calculated at 20% (2008: 18%) on the assessable profit of the Group's PRC subsidiary as determined in accordance with the relevant income tax rules and regulations in the PRC. No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements as the Group's PRC subsidiary has sufficient tax losses brought forward to offset against the assessable profit for the year (2008: Nil).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax Rate of the Group's PRC subsidiary was increased from 15% to 25% progressively from 1 January 2008 onwards. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

## 8. PROFIT FOR THE YEAR

| | **2009** | 2008 |
|---|---|---|
| **Profit for the year has been arrived at after charging/(crediting):** | | |
| Gross rental income from investment properties | **(1,367,820)** | (1,391,946) |
| Less: Direct operating expenses from investment properties that generated rental income during the year | **122,958** | 117,372 |
| | **(1,244,862)** | (1,274,574) |
| Employee benefits expense (including directors' remuneration): | | |
| Salaries and other benefits | **6,571,749** | 5,760,526 |
| Contributions to retirement benefit schemes | **395,132** | 340,337 |
| | **6,966,881** | 6,100,863 |
| Depreciation of hotel property | **2,638,848** | 2,643,172 |
| Depreciation of other property, plant and equipment | **686,972** | 1,350,537 |
| | **3,325,820** | 3,993,709 |
| Amortisation of prepaid lease payment | **2,009,302** | 2,009,302 |
| Total depreciation and amortisation | **5,335,122** | 6,003,011 |
| Auditors' remuneration | **460,000** | 495,000 |
| Cost of inventories recognised as other operating expenses | **1,742,667** | 831,663 |
| Loss on disposal of associates | **—** | 1,957,288 |
| Share of tax of an associate (included in share of profit of an associate) | **270,415** | 201,872 |
| Write-down of inventories | **—** | 25,807 |

## 9. EARNINGS PER SHARE

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

| | **2009** | 2008 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company) | **4,224,841** | 3,615,635 |
| Effect of dilutive potential ordinary shares | **—** | — |
| Earnings for the purpose of diluted earnings per share | **4,224,841** | 3,615,635 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **532,780,000** | 532,780,000 |
| Effect of dilutive potential ordinary shares: Share options issued by the Company | **974,871** | 970,317 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **533,754,871** | 533,750,317 |

## 10. TRADE AND OTHER RECEIVABLES

| | **2009** | 2008 |
|---|---|---|
| Trade receivables | **994,419** | 2,226,667 |
| Less: Allowance for doubtful debts | **(92,595)** | (1,025,453) |
| | **901,824** | 1,201,214 |
| Other receivables, utility deposits and prepayments | **13,533,766** | 13,718,451 |
| Less: Allowance for doubtful debts | **(11,861,926)** | (11,755,738) |
| | **1,671,840** | 1,962,713 |
| Total trade and other receivables | **2,573,664** | 3,163,927 |

An aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period, based on the invoice date, is as follows:

| | **2009** | 2008 |
|---|---|---|
| Current to six months | **901,824** | 1,198,478 |
| Over six months and within one year | **—** | 2,736 |
| | **901,824** | 1,201,214 |

The average credit period on rendering services is 45 days.

## 11. TRADE AND OTHER PAYABLES

| | **2009** | 2008 |
|---|---|---|
| Trade payables | **943,236** | 648,483 |
| Other payables | **9,009,808** | 11,042,944 |
| Total trade and other payables | **9,953,044** | 11,691,427 |
| Less: Other payables classified as non-current liabilities *(note)* | **(5,670,863)** | (5,652,911) |
| | **4,282,181** | 6,038,516 |

*Note:*

Pursuant to the Management Contract, Friendship International paid RMB5 million, equivalent to HK$5,670,863 (2008: HK$5,652,911), as security deposit to Xiamen Plaza, which is refundable upon expiry of the Management Contract. The expiry date of the Management Contract is 9 March 2013 and, accordingly, the balance of security deposit is classified as non-current liabilities.

An aged analysis of trade payables at the end of the reporting period is as follows:

| | **2009** | 2008 |
|---|---|---|
| Current to six months | **878,428** | 630,865 |
| Over six months and within one year | **48,686** | 8,542 |
| Over one year | **16,122** | 9,076 |
| | **943,236** | 648,483 |

The average credit period is 45 days.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The turnover of the Group for the year ended 31 December 2009 amounted to approximately HK$17.78 million, representing an increase of approximately 6.7% as compared to approximately HK$16.67 million in the previous year. The increase is mainly attributed to the increase in accommodation and catering revenue for the year under review.

Despite the turbulent economic environment in the year under review, the Group still continued to deliver positive results. For the year ended 31 December 2009, the net profit attributable to shareholders was approximately HK$4.22 million (31 December 2008: HK$3.62 million) representing a increase of 16.6% over the previous year. Basic earnings per share were approximately 0.79 HK cent for the year ended 31 December 2009 as compared to basic earnings per share of approximately 0.68 HK cent last year. The increase in net profit and earnings per share is attributed to the waiver of other payable amounting to approximately HK$2.15 million together with the gain in fair value changes and disposal of investment properties to approximately HK$7.99 million and HK$1.41 million respectively for the year under review. For the year ended 31 December 2009, the gearing ratio (divided non-current liabilities by equity plus non-current liabilities multiple by 100 which results in percentage) of the Group was 9.9% (2008: 9.9%).

During the year under review, the Group had to account for impairment loss in respect of prepaid lease payment and property, plant and equipment in aggregate of approximately HK$5.19 million (2008: Nil).

## OPERATIONAL REVIEW

### A. Star-rated Hotel Operation

Star-rated hotel operation is the main source of revenue for the Group. For the year ended 31 December 2009, turnover of the hotel was approximately HK$16.41 million (31 December 2008: HK$ 15.28 million), representing an increase of approximately 7.4% from the corresponding financial year.

For the year under review, the Occupancy Rate was approximately 54.8% (31 December 2008: 53.8%) representing a increase of 1.9% over the previous year. Average Daily Rate (ADR) was approximately RMB205 (31 December 2008: RMB214) representing an decrease of 4.2% over the previous year.

The following table sets out the amount and percentage of contributions from different businesses of the star-rated hotel operation for the year ended 31 December 2009, together with comparative figures of 2008:

| | **31 December 2009** | | 31 December 2008 | |
|---|---|---|---|---|
| | **HK$ in thousand** | **% in turnover** | HK$ in thousand | % in turnover |
| Accommodation revenue | **11,908** | **73%** | 11,974 | 78% |
| Catering revenue | **3,116** | **19%** | 1,763 | 12% |
| Rental revenue | **1,385** | **8%** | 1,538 | 10% |
| | **16,409** | **100%** | 15,275 | 100% |

*Accommodation revenue*

2009 was the first full year of the economic downturn which was triggered by the collapse of some global financial institutions in September 2008. The hotel industry continued to be significantly affected throughout the year. Nevertheless, the Group achieved stable income in its star-rated hotel operation during the year under review. The accommodation revenue amounted to approximately HK$11.91 million, representing a slight decrease by approximately 0.6% over the last year. Or reduce by 1.8% when the appreciation of Renminbi excluded.

*Catering and rental revenue*

During the period from the end of March 2009 to September 2009, the hotel operator repossessed the Chinese restaurant in the Group's Hotel. On the one hand, this contributed to approximately HK$2.15 million in catering revenue during the period for the Group. On the other hand, there is no longer a corresponding rental income and the total rental revenue of the Group's Hotel dropped accordingly.

In 2010, we will continue to strengthen cost management and risk control, optimize the resources and management flow of the hotel operation, improve its ability to respond to contingencies and enhance the overall economic efficiency.

**B. Hong Kong Properties Held by the Group**

The occupancy rate for the properties of the Group nearly full during the year under review. It brought steady rental income to the Group. For the year ended 31 December 2009, the rental income of the properties in Hong Kong was approximately HK$1.37 million, while last year's was approximately HK$1.39 million.

The erratic global economic condition in year 2010 would likely cause a fall in demands for leases of commercial properties in Hong Kong. However, most of existing tenancy contracts of the Group's properties will expire after 2010; therefore, the impact on the rental income in 2010 is expected to be insignificant.

On 9 November 2009, the Company entered into the provisional agreement relating to dispose the property located at Shops No. 1 on Ground Floor, Shaukiwan Centre, No. 407 Shau Kei Wan Road, Hong Kong. Pursuant to the provisional agreement, the Company agreed to sell, and the purchaser agreed to purchase, the above-mentioned property for a cash consideration of HK$2.8 million. The disposal was completed in the financial year under review.

**C. Piano Manufacturing**

The Group diversified its business into the piano manufacturing sector by acquiring a 25% equity interest of Harmony Piano in 2005. This business interest brought steady profit to the Group for the year under review.

**FUTURE DEVELOPMENT**

Looking forward, the Group's management will seize challenges by upholding a standardized and market-oriented operation model and strive to achieve continual growth in the Group's profits and higher returns for shareholders.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 31 December 2009, the Group had a net cash balance of approximately HK$35.83 million (2008: HK$29.90 million). The Group's net asset value (assets less liabilities) was approximately HK$126.58 million (2008: HK$122.35 million), with a liquidity ratio (ratio of current assets to current liabilities) of 8.99 (2008: 5.49). This high level of liquidity and available funding will enable the Group to meet its expected future working capital requirements and to take advantage of growth opportunities for the business. During the year, there was no material change in the Group's funding and treasury policy. The Directors do not expect the Company to experience any problem with liquidity and financial resources in foreseeable future.

### Charge on Assets

As at 31 December 2009, the Group has not charged any of its assets.

### Capital Structure of the Group

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars and Renminbi. Operating outgoings incurred by the Group's subsidiary in the mainland China are mainly denominated in RMB as well as its revenue. The management is of the opinion that the Group's exposure to foreign exchange rate risks is not significant and hedging through the use of derivative instruments is considered unnecessary. Any material fluctuation in the exchange rates of Hong Kong dollar or Renminbi may have an impact on the operating results of the Group.

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

### Substantial Disposal and Acquisitions

The Group had not participated in any substantial acquisition and disposal during the year under review.

### Contingent Liability

During the year, the Group did not have any significant contingent liability.

### Human Resources

As at 31 December 2009, the Group had approximately 160 employees in Hong Kong and Xiamen. The remuneration package was determined with reference to performance and the prevailing market rate. The Group also provides employees with training, the opportunity to join its mandatory provident fund scheme and medical insurance cover.

## DIVIDENDS

The Company did not propose any dividends for the year ended 31 December 2009. The Directors do not recommend the payment of a dividend for the year ended 31 December 2009.

## CORPORATE GOVERNANCE

The Directors consider that throughout the year ended 31 December 2009, 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 independence.

The Company has adopted the Code on Corporate Governance. The Company had made specific enquiries to all Directors regarding any non-compliance with the Code on Corporate Governance during the year ended 31 December 2009, 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 2009.

## 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 2009.

## 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 2009.

## INVESTMENT PROPERTIES

At 31 December 2009, the investment properties of the Group were revalued by an independent firm of professional surveyor and property valuer on an open market value basis at HK$25.56 million.

Particulars of investment property interests held by the Group at 31 December 2009 are as follows:

| Investment properties | Leasehold expiry | Gross floor area (square feet) | Year of completion | Group's attributable interest |
|---|---|---|---|---|
| **Hong Kong** | | | | |
| **Commercial** | | | | |
| 1. Shop Nos. 1, 3 and 4 on Ground Floor together with open yard adjoining thereto and the whole of First and Second Floors, Sun Ming Court, Nos. 84-90 Castle Peak Road, Sham Shui Po, Kowloon. | 2047 | 10,464 | 1981 | 50% |

| Investment properties | Leasehold expiry | Gross floor area (square feet) | Year of completion | Group's attributable interest |
|---|---|---|---|---|
| **Hong Kong** | | | | |
| **Commercial** | | | | |
| 2. Shop Nos. 50, and 65 on Ground Floor, Shaukiwan Centre, No.407 Shau Kei Wan Road, Hong Kong | 2859 | 876 | 1982 | 100% |
| **Others** | | | | |
| 1. Motor cycle parking space Nos. 54, 55, 56, 57 and 58 of Yuet Ming Building, No. 52 Yuet Wah Street, Kwun Tong, Kowloon. | 2047 | — | 1975 | 100% |

## 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 adopted the term of reference in accordance 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. Three 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.

## NOMINATION COMMITTEE

The Nomination Committee is responsible for recommending candidates to fill vacancies in the Board based on their qualifications, abilities and potential contribution to our Company and to ensure fair and transparent procedures for the appointment, re-election and removal of directors to the Board. The terms of reference of the Nomination Committee are available on our Company's website.

The Nomination Committee was formed by the Group in March 2005. The Committee currently comprises three members, all of whom are Independent Non-executive Directors namely Mr. Cheung Wah Fung, Christopher, Mr. Leung Hok Lim and Mr. Lam Kwong Siu, whereas Mr. Cheung Wah Fung, Christopher was nominated as the Chairman of the committee.

During the year ended 31 December 2009, the members of the Nomination Committee met once and resolved to propose the reappointment of our two independent non-executive Directors for a term of two year from 11 December 2009 to 10 December 2011 and submitted the same to the Board for approval.

## REMUNERATION COMMITTEE

The Group established its Remuneration Committee in March 2005. The Committee currently comprises three members, all of whom are Independent Non-executive Directors, namely Mr. Lam Kwong Siu, Mr. Leung Hok Lim and Mr. Cheung Wah Fung, Christopher. Mr. Lam Kwong Siu is the Chairman of the Remuneration Committee. The Remuneration Committee adopted the term of reference in accordance with the Code on Corporate Governance Practices issued by the Stock Exchange. The Remuneration Committee met once during the year as to review the emolument policy and the benefits of the Executive Directors.

The Remuneration Committee shall consult the Chairman and/or the General Manager of the Group about their proposals relating to remuneration package and other human resources issues of the Directors and senior management of the Group. The emoluments of Directors are based on each Director's skill, knowledge and involvement in the Group's affairs, the Group's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

## 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 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 MONITOR

The Board is responsible for monitoring the Group's overall corporate reporting process and control system, while the corporate reporting standard is handled by the accounting department, which makes regular review of resources allocation and financial reporting system properly. Compliance with Code on Corporate Governance Practices, the Listing Rules, SFO and other applicable laws and regulations are handled by the Company Secretary. The Company's management meets with the Executive Directors regularly to review and brief the reporting system, and the Audit Committee annually to review and brief the reporting system.

A package of detailed materials setting out the duties and responsibilities of the Directors of the Company is provided to each newly appointed Director of the Company, in which it is especially specified the applicable rules and regulations (including the Listing Rules) that the first time appointed Directors of the Company shall notice and understand.

In respect of the securities transactions made by Directors, the Company has adopted a set of rules not less stricter than the code of conduct regarding the standard for securities transactions by listing issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Printed copies of the Model Code have been distributed to each Director and relevant employee of the Group as stipulated therein. All the Directors confirmed that they have complied with the standards set out therein.

## CORPORATE CORRESPONDENCE

The Company commits to report to the shareholders of the Company the Group's corporate information in a timely and punctual way through notifying or mailing to all shareholders via press release, Interim Report and Annual Report. The circular of the Annual General Meeting will be distributed to all shareholders of the Company at least 21 days prior to the meeting, which set out the requirements and the procedure of the vote and the relevant details of other proposed resolutions. The printed copies of the Group's Annual Report and Interim Report have been dispatched to all the shareholders.

The Company also maintains a corporate website on which comprehensive information about the Group is provided.

The Company is committed to ensuring that it is fully compliant with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as of the date of this report.

## 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 2009 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 2009. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 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, 20 April 2010

*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.*