FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00181)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHT

	2011	2010
	HK$'000	*HK$'000*
Revenue	**14,647**	16,357
Profit attributable to owners of the Company	**4,495**	2,627
Earnings per share		
Basic *(HK cents per share)*	**0.84**	0.49
Diluted *(HK cents per share)*	**0.84**	0.49

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 2011, together with the audited comparative figures for the year ended 31 December 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011 (in HK Dollars)

	Notes	**2011**	2010
Revenue	*3*	**14,647,166**	16,357,222
Other income	*5*	**6,616,670**	4,179,078
Other gains and losses	*6*	**4,990,043**	3,515,075
Employee benefits expense		**(5,866,796)**	(6,447,114)
Depreciation		**(3,212,093)**	(3,198,191)
Amortisation of prepaid lease payment		**(1,874,007)**	(1,874,007)
Share of profit of an associate		**1,107,825**	900,072
Other operating expenses		**(10,334,753)**	(10,269,497)
Profit before tax		**6,074,055**	3,162,638
Income tax expense	*7*	**(1,578,803)**	(536,121)
Profit for the year	*8*	**4,495,252**	2,626,517
Other comprehensive income			
Exchange differences on translating foreign operations		**630,710**	244,114
Other comprehensive income for the year		**630,710**	244,114
Total comprehensive income for the year		**5,125,962**	2,870,631
Earnings per share			
Basic (HK cents per share)	*9*	**0.84**	0.49
Diluted (HK cents per share)	*9*	**0.84**	0.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011 (in HK Dollars)

	Notes	**2011**	2010
Non-current assets			
Property, plant and equipment		**36,763,638**	40,096,323
Prepaid lease payment		**26,079,923**	27,953,930
Investment properties		**29,800,000**	28,675,000
Interest in an associate		**11,531,435**	10,038,350
		104,174,996	106,763,603
Current assets			
Inventories		**93,678**	143,036
Trade and other receivables	*10*	**9,029,332**	3,002,037
Bank balances and cash		**43,289,903**	37,914,888
		52,412,913	41,059,961
Current liabilities			
Trade and other payables	*11*	**5,363,032**	3,450,697
Current tax liabilities		**1,449,273**	—
		6,812,305	3,450,697
Net current assets		**45,600,608**	37,609,264
Total assets less current liabilities		**149,775,604**	144,372,867
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	*12*	**66,780,000**	66,780,000
Reserves		**68,059,830**	62,933,868
Total equity		**134,839,830**	129,713,868
Non-current liabilities			
Deferred tax liabilities		**8,824,874**	8,764,649
Trade and other payables		**6,110,900**	5,894,350
		14,935,774	14,658,999
		149,775,604	144,372,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. BASIS OF PREPARATION OF THE FINANCIAL RESULTS

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. 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.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

The following new and revised HKFRSs and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements. The application of these new and revised Standards and Interpretations has had no impact on the Group's financial performance and positions for the current and prior years.

HKFRS (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 July 2012.
3 Effective for annual periods beginning on or after 1 January 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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

New and revised HKFRSs in issue but not yet effective (continued)

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) - Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

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

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

3. REVENUE

	2011	2010
Gross rental income from letting of investment properties	**1,410,874**	1,272,720
Revenue from hotel operations	**13,236,292**	15,084,502
	14,647,166	16,357,222

4. SEGMENT INFORMATION

Information reported to the Board of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focuses on types of services provided.

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**	
	2011	2010	**2011**	2010	**2011**	2010
REVENUE						
Revenue from external customers	**1,410,874**	1,272,720	**13,236,292**	15,084,502	**14,647,166**	16,357,222
RESULT						
Segment result before other gains/(losses):	**1,250,381**	753,354	**3,478,525**	3,728,362	**4,728,906**	4,481,716
Gain arising on change in fair value of investment properties	**3,925,000**	3,115,000	**—**	—	**3,925,000**	3,115,000
Gain on disposal of investment property	**855,565**	—	**—**	—	**855,565**	—
Impairment loss on property, plant and equipment	**—**	—	**(175,990)**	—	**(175,990)**	—
Segment result	**6,030,946**	3,868,354	**3,302,535**	3,728,362	**9,333,481**	7,596,716
Unallocated income					**569,893**	362,639
Central administration costs					**(4,937,144)**	(5,696,789)
Share of profit of an associate					**1,107,825**	900,072
Profit before tax					**6,074,055**	3,162,638
Income tax expense					**(1,578,803)**	(536,121)
Profit for the year					**4,495,252**	2,626,517

For the year ended 31 December 2011, income from granting the management right of the Group's hotel of HK$5,897,143 (2010: HK$2,698,392) is included in the segment result before other gains/(losses) of hotel operations reportable segment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: nil).

4. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of bank interest income and other unallocated income, central administration costs including director's remuneration, share of profit of an associate and income tax expense. This is the measurement reported to the chief operating decision maker 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	
	2011	2010	**2011**	2010	**2011**	2010
ASSETS						
Segment assets	**76,235,229**	67,130,032	**68,816,051**	70,652,604	**145,051,280**	137,782,636
Interest in an associate					**11,531,435**	10,038,350
Unallocated corporate assets					**5,194**	2,578
Consolidated total assets					**156,587,909**	147,823,564
LIABILITIES						
Segment liabilities	**(1,076,747)**	(967,587)	**(11,029,409)**	(8,362,460)	**(12,106,156)**	(9,330,047)
Unallocated corporate liabilities					**(9,641,923)**	(8,779,649)
Consolidated total liabilities					**(21,748,079)**	(18,109,696)
Other segment information						
Capital additions	**—**	125,440	**—**	957,047	**—**	1,082,487
Depreciation of property, plant and equipment	**64,832**	39,824	**3,147,261**	3,158,367	**3,212,093**	3,198,191
Amortisation of prepaid lease payment	**—**	—	**1,874,007**	1,874,007	**1,874,007**	1,874,007
Gain arising on change in fair value of investment properties	**(3,925,000)**	(3,115,000)	**—**	—	**(3,925,000)**	(3,115,000)
Gain on disposal of investment property	**(855,565)**	—	**—**	—	**(855,565)**	—
Loss on disposal and write-off of property, plant and equipment	**—**	—	**75,428**	4,787	**75,428**	4,787
Impairment loss on trade receivables	**—**	—	**82,118**	64,154	**82,118**	64,154
Impairment loss on other receivables	**—**	—	**59,774**	68,994	**59,774**	68,994
Impairment loss on property, plant and equipment	**—**	—	**175,990**	—	**175,990**	—
Waiver of other payable	**—**	—	**—**	(1,078,405)	**—**	(1,078,405)

4. SEGMENT INFORMATION (CONTINUED)

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

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

All liabilities are allocated to operating segments other than certain balances of current liabilities and deferred tax liabilities.

Geographical information

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	
	2011	2010	**2011**	2010
PRC	**13,236,292**	15,084,502	**74,292,875**	77,941,650
Hong Kong	**1,410,874**	1,272,720	**29,882,121**	28,821,953
	14,647,166	16,357,222	**104,174,996**	106,763,603

No external customers of the Group contributed over 10% of the Group's revenue for the year ended 31 December 2011 and 2010.

5. OTHER INCOME

	2011	2010
Income from granting the management right of the Group's hotel *(notes (i), (ii) and (iii))*	**5,897,143**	2,698,392
Bank interest income	**569,893**	362,639
Waiver of other payable	**—**	1,078,405
Others	**149,634**	39,642
	6,616,670	4,179,078

Notes:

(i) On 4 March 2008, Yan Hei Limited ("Yan Hei"), a wholly owned subsidiary of the Company and Xiamen South East Asia Company Limited ("Xiamen Plaza"), a wholly owned subsidiary of Yan Hei Limited, entered into an agreement with Fujian Sunshine Group Limited ("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 Xiamen South East Asia Hotel (the "Hotel"), a hotel owned by Xiamen Plaza to Friendship International.

5. OTHER INCOME (CONTINUED)

Notes: (continued)

(ii) 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 has paid RMB5 million as security deposit to Xiamen Plaza, which is refundable upon expiry of the Management Contract.

(iii) 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

	2011	2010
Gain arising on change in fair value of investment properties	**3,925,000**	3,115,000
Impairment loss recognised on property, plant and equipment	**(175,990)**	—
Impairment loss recognised on trade receivables	**(82,118)**	(64,154)
Impairment loss recognised on other receivables	**(59,774)**	(68,994)
Loss on disposal and write-off of property, plant and equipment	**(75,428)**	(4,787)
Net foreign exchange gains	**602,788**	538,010
Gain on disposal of investment property	**855,565**	—
	4,990,043	3,515,075

7. INCOME TAX EXPENSE

	2011	2010
Current tax:		
PRC Enterprise Income Tax	**1,518,578**	18,137
Deferred tax:		
Current year	**(228,431)**	(80,550)
Attributable to a change in tax rate	**288,656**	598,534
	60,225	517,984
Tax charge for the year	**1,578,803**	536,121

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company had agreed losses brought forward to set off against the assessable profits and its Hong Kong subsidiaries did not have any assessable profits for the year (2010: Nil).

7. INCOME TAX EXPENSE (CONTINUED)

The provision for PRC Enterprise Income Tax is calculated at 25% (2010: 22%) 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.

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 subsidiaries was increased from 15% to 25% progressively from 1 January 2008 onwards. The deferred tax balance has been adjusted to reflect the tax rates are expected to apply to the respective periods when the asset is realised or the liability is settled.

8. PROFIT FOR THE YEAR

	2011	2010
Profit for the year has been arrived at after charging/(crediting):		
Gross rental income from investment properties	**(1,410,874)**	(1,272,720)
Less: Direct operating expenses from investment properties that generated rental income during the year	**88,881**	84,365
	(1,321,993)	(1,188,355)
Employee benefits expense (including directors' remunerations):		
Salaries and other benefits	**5,410,009**	6,006,721
Contributions to retirement benefit schemes	**456,787**	440,393
	5,866,796	6,447,114
Depreciation of hotel property	**2,449,064**	2,449,064
Depreciation of other property, plant and equipment	**763,029**	749,127
	3,212,093	3,198,191
Amortisation of prepaid lease payment	**1,874,007**	1,874,007
Total depreciation and amortisation	**5,086,100**	5,072,198
Auditors' remuneration	**495,000**	460,000
Cost of inventories recognised as other operating expenses	**49,451**	68,980
Share of tax of an associate (included in share of profit of an associate)	**391,064**	322,586

9. EARNINGS PER SHARE

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

	2011	2010
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**4,495,252**	2,626,517
Effect of dilutive potential ordinary shares	**—**	—
Earnings for the purpose of diluted earnings per share	**4,495,252**	2,626,517
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**534,240,000**	533,708,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**—**	365,578
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**534,240,000**	534,073,578

10. TRADE AND OTHER RECEIVABLES

	2011	2010
Trade receivables	**492,107**	952,053
Less: Allowance for doubtful debts	**(249,662)**	(160,430)
	242,445	791,623
Other receivables, utility deposits and prepayments	**21,701,480**	14,608,840
Less: Allowance for doubtful debts	**(12,914,593)**	(12,398,426)
	8,786,887	2,210,414
Total trade and other receivables	**9,029,332**	3,002,037

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2011	2010
Current to six months	**242,445**	791,623
Over six months and within one year	**—**	—
Over one year	**—**	—
	242,445	791,623

The average credit period on rendering services is 45 days.

Included in the Group's trade receivable balance are debtors with aggregate amount of HK$2,726 (2010: Nil) which are past due as the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 45 days. (2010: 45 days).

An aged analysis of trade receivables that are not considered to be impaired is as follows:

	2011	2010
Neither past due nor impaired	**239,719**	791,623
Past due but not impaired		
Current to six months	**2,726**	—
Over six months and within one year	**—**	—
Over one year	**—**	—
	242,445	791,623

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

11. TRADE AND OTHER PAYABLES

	2011	2010
Trade payables	**1,038,683**	1,309,843
Other payables	**10,435,249**	8,035,204
Total trade and other payables	**11,473,932**	9,345,047
Less: Other payables classified as non-current liabilities *(note)*	**(6,110,900)**	(5,894,350)
	5,363,032	3,450,697

11. TRADE AND OTHER PAYABLES (CONTINUED)

Note:

Pursuant to the Management Contract, Friendship International paid RMB5 million, equivalent to HK$6,110,900 (2010: HK$5,894,350), 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:

	2011	2010
Current to six months	**310,313**	734,704
Over six months and within one year	**145,078**	467,288
Over one year	**583,292**	107,851
	1,038,683	1,309,843

The average credit period is 45 days.

12. SHARE CAPITAL

	2011		2010	
	Number of shares	*HK$*	*Number of shares*	*HK$*
Authorised				
Ordinary shares of HK$0.125 each	**3,040,000,000**	**380,000,000**	3,040,000,000	380,000,000
Issued and fully paid				
At beginning of year	**534,240,000**	**66,780,000**	532,780,000	66,597,500
Exercise of share options under the Company's employee share option plan	**—**	**—**	1,460,000	182,500
At end of year	**534,240,000**	**66,780,000**	534,240,000	66,780,000

During the year ended 31 December 2010, 1,460,000 share options were exercised at a subscription price of HK$0.184 per share, resulting in the issue of 1,460,000 ordinary shares of HK$0.125 each in the capital of the Company and giving a total cash consideration of approximately HK$268,640.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2011, the profit attributable to owners and net cash balance of the Group increased by 71.1% to HK$4.50 million (2010: HK$2.63 million) and increased by 14.2% to HK$43.29 million (2010: HK$37.91 million) respectively. This is despite a very challenging year with ongoing problems in the global economy.

The turnover of the Group for the year ended 31 December 2011 amounted to approximately HK$14.65 million, representing an decrease by approximately 10.5% as compared to approximately HK$16.36 million in the previous year. The decrease is mainly due to the decrease in business volume of star-rated hotel over the previous year.

Given our strong balance sheet and cash generation ability, our financial position continues to be strong. For the year ended 31 December 2011, the gearing ratio (divided non-current liabilities by equity plus non-current liabilities multiple by 100 which results in percentage) of the Group was 10.0% (2010: 10.2%).

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 2011, turnover of the hotel was approximately HK$13.24 million (2010: HK$15.08 million), representing an decrease of approximately 12.2% from the corresponding financial year.

For the year under review, the Occupancy Rate was approximately 45.6% (2010: 56.1%) representing a decrease of 18.7% over the previous year. Average Daily Rate (ADR) was approximately RMB233 (2010: RMB215) representing an increase of 8.4% 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 2011, together with comparative figures of 2010:

	31 December 2011		31 December 2010	
	HK$ in thousand	***% in turnover***	*HK$ in thousand*	*% in turnover*
Accommodation revenue	**11,563**	**87%**	12,798	85%
Catering revenue	**7**	**1%**	275	2%
Rental revenue	**1,666**	**12%**	2,012	13%
	13,236	**100%**	15,085	100%

OPERATIONAL REVIEW (CONTINUED)

A. *Star-rated hotel operation (continued)*

Accommodation revenue

The accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. During the reporting year, the accommodation revenue of star-rated hotels for the reporting year was approximately HK$11.56 million, representing a decrease of approximately 9.6% over 2010. It was mainly because the accommodation revenue loss stemming from competition among star-rated hotels further intensified, there is a situation of oversupply in the industry and the interior facility is functional obsolescence. This directly affected accommodation revenue of star-rated hotels.

Catering and rental revenue

In order to stabilized the income of hotel operation, at the beginning of 2011, the hotel operator let out the restaurant in the Group's Hotel. On the one hand, this contributed to approximately HK$1 million in rental revenue during the year under review. On the other hand, there is no longer a corresponding catering income and the total catering revenue of the Group's Hotel dropped accordingly.

To meet the challenges arising from the overall operating environment, 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 is nearly full during the year under review. It brought steady rental income to the Group.

For the year ended 31 December 2011, the rental income of properties in Hong Kong was approximately HK$1.41 million, while the rental income was approximately HK$1.27 million in year 2010. The increase was mainly resulted from the increase in rental income through rental reversion as the leasing cycle reverts.

With the support of the strong local economy and most of existing tenancy contracts of the Group's properties will expire after 2012; therefore, the impact on the rental income in 2012 is expected to be insignificant.

For the year ended 31 December 2011, the Company disposed the property located at Shops No. 50 on Ground Floor, Shaukiwan Centre, No. 407 Shau Kei Wan Road, Hong Kong. Pursuant to the Sales and Purchase agreement, the Company agreed to sell, and the purchaser agreed to purchase, the above-mentioned property for a cash consideration of HK$3.8 million.

OPERATIONAL REVIEW (CONTINUED)

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

In order to retain resilience and react in a timely manner to the volatile business environment, the Group will continue to maintain a lean organization and continue to upholding a standardized and market-oriented operation model. While embedding the risk management philosophy into its business operations, the Group will carefully balance risk and opportunity management activities with the objective of creating and preserving value for stakeholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2011, the Group had a net cash balance of approximately HK$43.29 million (2010: HK$37.91 million). The Group's net asset value (assets less liabilities) was approximately HK$134.84 million (2010: HK$129.71 million), with a liquidity ratio (ratio of current assets to current liabilities) of 7.69 (2010: 11.90). 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 2011, the Group has not charged any of its assets.

Exposure to fluctuation in exchange rate and related hedges

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.

FINANCIAL REVIEW (CONTINUED)

Substantial Disposal and Acquisitions

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

Contingent Liability

The Group did not have any significant contingent liability during the year.

Major Events

As at 31 December 2011, the Group had no material capital commitments and no future plans for material investments or capital assets.

Human Resources

As at 31 December 2011, the Group had approximately 92 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 2011. The Directors do not recommend the payment of a dividend for the year ended 31 December 2011.

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 2011.

CORPORATE GOVERNANCE

The Directors consider that throughout the year ended 31 December 2011, 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 2011, 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 2011.

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 2011.

INVESTMENT PROPERTIES

At 31 December 2011, 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$29.80 million.

Particulars of investment property interests held by the Group at 31 December 2011 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%
2. Shop Nos. 65, on Ground Floor, Shaukiwan Centre, No. 407 Shau Kei Wan Road, Hong Kong	2859	397	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. Two 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.

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 while required 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 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.

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.

CORPORATE MONITOR (CONTINUED)

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.

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 2011 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 2011. 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 2011 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, 22 March 2012

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.