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FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00181)

ANNOUNCEMENT
INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHT

	Six months ended 30 June 2013	Six months ended 30 June 2012
• Revenue	**HK$6,255,899**	HK$6,591,821
• (Loss)/Profit attributable to the equity holders of the Company	**(HK$3,667,075)**	HK$19,763
• (Loss)/Profit per share		
— Basic *(HK cents per Share)*	**(0.7)**	0.004
— Diluted *(HK cents per Share)*	**N/A**	N/A

RESULTS

The Board of Directors (the "Board") of Fujian Holdings Limited (the "Company") hereby present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with the unaudited comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2013 to 30 June 2013 (in HK Dollars)

	Note	**30 June 2013 (Unaudited)**	30 June 2012 (Unaudited)
Revenue	*2*	**6,255,899**	6,591,821
Other income	*4*	**918,294**	4,417,748
Other gains and losses	*5*	**301,536**	108,002
Employee benefit expenses		**(3,519,419)**	(2,991,489)
Depreciation		**(1,476,914)**	(1,577,250)
Amortisation of prepaid lease payment		**(937,003)**	(937,003)
Share of profit of associate		**190,330**	212,659
Other operating expenses		**(5,596,913)**	(5,278,439)
(Loss)/Profit before tax	*6*	**(3,864,190)**	546,049
Income tax credit/(expenses)	*7*	**197,115**	(526,286)
(Loss)/Profit for the period		**(3,667,075)**	19,763
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**117,233**	121,703
Other comprehensive income for the period		**117,233**	121,703
Total comprehensive income for the period		**(3,549,842)**	141,466
(Loss)/profit for the period attributable to the owners of the Company		**(3,667,075)**	19,763
Total comprehensive income for the period attributable to the owners of the Company		**(3,549,842)**	141,466
(Loss)/Earnings per share			
— Basic and diluted (in HK cents)	*8*	**(0.7)**	0.004

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 (in HK Dollars)

	Note	**30 June 2013 (Unaudited)**	31 December 2012 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**32,532,670**	33,915,859
Prepaid lease payment	*11*	**23,268,913**	24,205,916
Investment properties	*12*	**32,650,000**	32,650,000
Interest in an associate		**13,075,737**	12,885,407
Deferred tax assets		**1,894,269**	1,894,269
		103,421,589	105,551,451
Current assets			
Inventories	*13*	**137,118**	158,984
Trade and other receivables	*14*	**2,241,691**	1,586,343
Bank balances and cash		**43,963,621**	46,413,463
		46,342,430	48,158,790
Current liabilities			
Trade and other payables	*15*	**6,380,305**	6,348,907
Current tax liabilities		**61,603**	292,265
		6,441,908	6,641,172
Net current assets		**39,900,522**	41,517,618
Total assets less current liabilities		**143,322,111**	147,069,069
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	*16*	**66,780,000**	66,780,000
Reserves		**70,635,971**	74,185,813
Total equity		**137,415,971**	140,965,813
Non-current liabilities			
Deferred tax liabilities		**5,906,140**	6,103,256
		5,906,140	6,103,256
		143,322,111	147,069,069

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013 (in HK Dollars)

	Attributable to owners of the Company				
	Share capital *(Note 16)*	**Share premium**	**Translation reserve**	**Accumulated losses**	**Total**
At 1 January 2013 (audited)	**66,780,000**	**576,659,713**	**(6,244,908)**	**(496,228,992)**	**140,965,813**
Total comprehensive income for the period	**—**	**—**	**117,233**	**(3,667,075)**	**(3,549,842)**
At 30 June 2013 (unaudited)	**66,780,000**	**576,659,713**	**(6,127,675)**	**(499,896,067)**	**137,415,971**

	Attributable to owners of the Company				
	Share capital *(Note 16)*	Share premium	Translation reserve	Accumulated losses	Total
At 1 January 2012 (audited)	66,780,000	576,659,713	(6,647,273)	(497,780,435)	139,012,005
Total comprehensive income for the period	—	—	121,703	19,763	141,466
At 30 June 2012 (unaudited)	66,780,000	576,659,713	(6,525,570)	(497,760,672)	139,153,471

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013 (in HK Dollars)

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

The accounting policies adopted for the preparation of the consolidated interim financial statements are consistent with those set out in the Group's consolidated annual financial statements for the year ended 31 December 2012, except for adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2013. The adoption of the new HKFRSs has no material impact on the Group's results and financial position for the current or prior periods.

2. REVENUE

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are investment holdings, property investment in Hong Kong and hotel operations in the People's Republic of China (the "PRC"). An analysis of the Group's revenue is as follows:

	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
Gross rental income from letting of investment properties	**637,914**	697,064
Revenue from hotel operations	**5,617,985**	5,894,757
	6,255,899	6,591,821

3. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the 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 revenue and results

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

	Property investment		Hotel operations		Total	
	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)	**30 June 2013 (Unaudited)**	30 June 2012 (Unaudited)	**30 June 2013 (Unaudited)**	30 June 2012 (Unaudited)
REVENUE						
Revenue from external customers	**637,914**	697,064	**5,617,985**	5,894,757	**6,255,899**	6,591,821
Segment profit/(loss) before depreciation amortisation and others	**596,903**	626,264	**(277,583)**	3,967,516	**319,320**	4,593,780
Depreciation	**—**	—	**(1,433,051)**	(1,577,250)	**(1,433,051)**	(1,577,250)
Amortisation	**—**	—	**(937,003)**	(937,003)	**(937,003)**	(937,003)
Segment result	**596,903**	626,264	**(2,647,637)**	1,453,263	**(2,050,734)**	2,079,527
Unallocated income					**1,190,105**	855,014
Central administration costs					**(3,193,891)**	(2,601,151)
Share of profit of associate					**190,330**	212,659
(Loss)/profit before tax					**(3,864,190)**	546,049
Income tax credit/(expense)					**197,115**	(526,286)
(Loss)/profit for the period					**(3,667,075)**	19,763

For the six months ended 30 June 2013, the Group's hotel did not grant the management right to management agency.

For the six months ended 30 June 2012, income from granting the management right of the Group hotel of HK$3,654,625 is included in the segment result before other gains/(losses) of hotel operations reportable segment.

Segment revenue as reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2012: nil).

Segment assets and liabilities

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

	Property investment		Hotel operations		Consolidated	
	30 June 2013 (Unaudited)	31 December 2012 (Audited)	**30 June 2013 (Unaudited)**	31 December 2012 (Audited)	**30 June 2013 (Unaudited)**	31 December 2012 (Audited)
Assets						
Segment assets	**77,851,995**	79,389,076	**56,941,239**	59,537,792	**134,793,234**	138,926,868
Interest in associate					**13,075,737**	12,885,407
Unallocated corporate assets					**1,895,048**	1,897,966
Consolidated total assets					**149,764,019**	153,710,241
Liabilities						
Segment liabilities	**(811,079)**	(992,038)	**(5,630,829)**	(5,634,134)	**(6,441,908)**	(6,626,172)
Unallocated corporate liabilities					**(5,906,140)**	(6,118,256)
Consolidated total liabilities					**(12,348,048)**	(12,744,428)

	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)	**30 June 2013 (Unaudited)**	30 June 2012 (Unaudited)	**30 June 2013 (Unaudited)**	30 June 2012 (Unaudited)
Other information						
Segment depreciation	**—**	—	**1,433,051**	1,534,229	**1,433,051**	1,534,229
Unallocated depreciation	**—**	—	**43,863**	43,021	**43,863**	43,021
	—	—	**1,476,914**	1,577,250	**1,476,914**	1,577,250
Amortisation of prepaid lease payment	**—**	—	**937,003**	937,003	**937,003**	937,003

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 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:

	Hong Kong		PRC		Total	
	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)	**30 June 2013 (Unaudited)**	30 June 2012 (Unaudited)	**30 June 2013 (Unaudited)**	30 June 2012 (Unaudited)
Revenue from external customers	**637,914**	697,064	**5,617,985**	5,894,757	**6,255,899**	6,591,821

The following is an analysis of the carrying amounts of segment non-current assets analysed by the geographical area in which the assets are located:

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Assets located in		
— PRC	**68,665,221**	70,761,015
— Hong Kong	**34,756,368**	34,790,436
	103,421,589	105,551,451
Capital expenditure		
— PRC	**63,743**	189,894
— Hong Kong	**12,760**	252,714
	76,503	442,608

4. OTHER INCOME

	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
Income from granting the management right of the Group's hotel *(note (i), (ii), (iii) and (iv))*	**—**	3,654,625
Bank interest income	**879,726**	741,762
Others	**38,568**	21,361
	918,294	4,417,748

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 廈門睦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.

(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) 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.

(iv) The management agreement dated 4 March 2008 (the "Management Contract") entered into by and between Xiamen South East Asia Company Limited ("Xiamen Plaza"), an indirectly wholly-owned subsidiary of the Company, and 廈門敦睦酒店管理有限公司 (Xiamen Friendship International Co., Ltd) ("Friendship International") was terminated on 9 October 2012 due to default in payment of the guaranteed annual net income at RMB6.66 million plus 1% of the annual turnover of the hotel (the "Guaranteed Income Level") payable to the Group by Friendship International for the year ended 31 December 2012. The Group had received approximately RMB3 million from Friendship International for the operation of the hotel in the corresponding period last year. As a result of the termination of the Management Contract, the Group can no longer enjoy the Guaranteed Income Level and has to operate the hotel and bear any profit or loss generated from the operation of the hotel since then.

5. OTHER GAINS

	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
Net foreign exchange gains	**301,536**	108,002

6. (LOSS)/PROFIT BEFORE TAX

	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
(Loss)/profit for the period has been arrived at after charging/(crediting):		
Gross rental income from investment properties	**(637,914)**	(697,064)
Less: Direct operating expenses that generated rental income during the period	**41,011**	70,800
	(596,903)	(626,264)
Depreciation of hotel property	**1,224,531**	1,224,532
Depreciation of other property, plant and equipment	**252,383**	352,718
	1,476,914	1,577,250
Amortisation of prepaid lease payment	**937,003**	937,003
Total depreciation and amortisation	**2,413,917**	2,514,253
Salaries and other benefits (including directors' remunerations)	**3,224,918**	2,742,957
Retirement benefit scheme contributions	**294,501**	248,532
Staff costs	**3,519,419**	2,991,489
Share of tax of an associate (included in share of profit of an associate)	**63,911**	70,886

7. INCOME TAX (CREDIT)/EXPENSE

	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
Current income tax — PRC Enterprise Income tax (“EIT”)	**—**	730,925
Deferred tax		
Current period	**(197,115)**	(204,639)
	(197,115)	526,286

Hong Kong Profits Tax is calculated at 16.5% (30 June 2012: 16.5%) of the estimated assessable profit for the period.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company has agreed that tax losses be brought forward to set off against the assessable profits and its Hong Kong subsidiaries did not have any assessable profits for the period (30 June 2012: Nil).

The PRC Enterprise Income Tax is calculated at 25% (30 June 2012: 25%) 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.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share attributable to the equity holders of the Company is based on the unaudited consolidated net profit attributable to the equity holders of the Company of HK$3,667,075 (30 June 2012: profit of HK$19,763), and the weighted average number of 534,240,000 (30 June 2012: 534,240,000) ordinary shares in issue during the period.

The diluted (loss)/earnings per share for the respective periods are the same as basic (loss)/earnings per share as there are no dilutive potential ordinary shares.

9. INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the Period (30 June 2012: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Hotel property (Unaudited)	Furniture and fixtures (Unaudited)	Leasehold improvements (Unaudited)	Plant, machinery and equipment (Unaudited)	Total (Unaudited)
At cost					
At 1 January 2012 (audited)	92,391,462	2,447,125	6,604,315	4,585,968	106,028,870
Additions	—	—	216,086	226,522	442,608
Disposal and write-off	—	(110,213)	(101,260)	(1,069,387)	(1,280,860)
Exchange adjustments	—	42,340	114,607	78,859	235,806
At 31 December 2012 and 1 January 2013 (audited)	92,391,462	2,379,252	6,833,748	3,821,962	105,426,424
Additions	—	1,540	—	74,963	76,503
Written off	—	(13,929)	—	(27,640)	(41,569)
Exchange adjustments	—	24,173	68,521	38,061	130,755
As at 30 June 2013	92,391,462	2,391,036	6,902,269	3,907,346	105,592,113
Depreciation and impairment					
At 1 January 2012 (audited)	58,308,659	2,384,688	5,331,912	3,239,973	69,265,232
Provided for the year	2,449,064	13,219	357,009	280,070	3,099,362
Eliminated on disposal and write-off	—	(110,213)	(101,260)	(1,069,141)	(1,280,614)
Impairment loss recognised in profit or loss	—	—	237,960	—	237,960
Exchange adjustments	—	41,603	91,196	55,826	188,625
At 31 December 2012 and 1 January 2013 (audited)	60,757,723	2,329,297	5,916,817	2,506,728	71,510,565
Provided for the period	1,224,531	5,339	111,119	135,925	1,476,914
Eliminated on written off	—	(13,907)	—	(24,655)	(38,562)
Exchange adjustments	—	23,828	61,324	25,374	110,526
As at 30 June 2013	61,982,254	2,344,557	6,089,260	2,643,372	73,059,443
Net carrying amounts					
As at 30 June 2013	**30,409,208**	**46,479**	**813,009**	**1,263,974**	**32,532,670**
As at 31 December 2012 (audited)	31,633,739	49,955	916,931	1,315,234	33,915,859

11. PREPAID LEASE PAYMENT

Group

COST	
At 1 January 2012, 31 December 2012 and 30 June 2013	86,000,000
AMORTISATION AND IMPAIRMENT	
At 1 January 2012	59,920,077
Amortisation for the year	1,874,007
At 31 December 2012	61,794,084
Amortisation for the period	937,003
At 30 June 2013	62,731,087
NET CARRYING AMOUNT	
At 30 June 2013	**23,268,913**
At 31 December 2012	24,205,916

Notes:

(i) Pursuant to the terms of a joint venture agreement signed between the Xiamen Railway Department Company Limited ("Railway Department") and Yan Hei, both parties have agreed to establish a sino-foreign co-operative joint venture enterprise known as Xiamen Plaza, an indirect wholly owned subsidiary of the Company to operate and manage the Hotel. The land use rights of the Hotel have been granted to the joint venture partner and Xiamen Plaza is vested with the land use rights of the Hotel throughout the operation period of Xiamen Plaza.

(ii) The Group's prepaid lease payment is a leasehold land situated in the Xiamen and held under medium-term lease.

12. INVESTMENT PROPERTIES

Group

FAIR VALUE	
At 31 December 2012 and at 30 June 2013	32,650,000

The fair value of the Group's investment properties at 31 December 2012 has been arrived at on the basis of a valuation carried out at that date by Norton Appraisals Limited, an independent qualified professional valuer not connected to the Group. Norton Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation, which conforms to The HKIS Valuation Standards, was arrived at on the open market value basis.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

At 30 June 2013, the Directors estimated the carrying amounts of the investment properties do not differ significantly from that which would be determined using fair values on 31 December 2012 and maintain consistency. Consequently, no fair value gains or loss have been recognised in the current period.

13. INVENTORIES

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Consumables	**137,118**	158,984

14. TRADE AND OTHER RECEIVABLES

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Trade receivables	**511,721**	395,217
Less: Allowance for doubtful debts	**(88,674)**	(84,237)
	423,047	310,980
Other receivables, utility deposits and prepayments	**18,298,459**	17,586,299
Less: Allowance for doubtful debts	**(16,479,815)**	(16,310,936)
	1,818,644	1,275,363
Total trade and other receivables	**2,241,691**	1,586,343

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:

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Current to six months	**422,770**	310,980
Over six months and within one year	**277**	—
	423,047	310,980

The average credit period on rendering services is 45 days.

15. TRADE AND OTHER PAYABLES

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Trade payables	**962,810**	1,076,180
Other payables	**5,417,495**	5,272,727
Total trade and other payables	**6,380,305**	6,348,907

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

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Current to six months	**224,806**	243,335
Over six months and within one year	**738,004**	3,134
Over one year	**—**	829,711
	962,810	1,076,180

The average credit period is 45 days.

16. SHARE CAPITAL

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	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 and at end of period/year	**534,240,000**	**66,780,000**	534,240,000	66,780,000

17. PENDING LITIGATION

At 30 June 2011, Xiamen Plaza is a defendant in a pending litigation arising from the balance due and interest payable to Fujian Sunshine Group Limited of RMB268,716 (equivalent to approximately HK$338,000). The Directors of the Company consider that Xiamen Plaza has a good defence against such claims and no provision has been made in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT

The turnover of the Group for the six months ended 30 June 2013 amounted to approximately HK$6.26 million, representing a decrease of approximately 5% as compared to approximately HK$6.59 million in the corresponding period last year. The decrease was mainly due to the decrease in the revenue from hotel operation for the period under review.

For the six months ended 30 June 2013, the gearing ratio (divide non-current liability by equity plus non-current liabilities multiple by 100 which results in percentage) of the Group was 4.12% (31 December 2012: 4.15%).

For the six months ended 30 June 2013, the net loss attributable to shareholders was approximately HK$3.67 million (30 June 2012: profit approximately HK$20,000). Loss per share was approximately 0.7 HK cent for the six months ended 30 June 2013.

OPERATIONAL REVIEW

a. Star-rated Hotel Operation

Star-rated hotel operation is the main source of revenue for the Group. For the six months ended 30 June 2013, turnover of the hotel was approximately HK$5.62 million (30 June 2012: HK$5.89 million), representing a decrease of approximately 4.6% from the corresponding financial period. Or reduce by 6.1% when the appreciation of Renminbi excluded.

For the period under review, the occupancy rate was approximately 30% (30 June 2012: 38%), representing a decrease of approximately 21% from the corresponding period of last year. Average daily rate (ADR) was approximately RMB282 (30 June 2012: RMB239) representing an increase of 18% over the corresponding period.

The following table sets out the amount and percentage of contributions from different businesses of the star-rated hotel operation for the six months ended 30 June 2013, together with comparative figures of 2012:

	30 June 2013		30 June 2012	
	HK$ in thousand	***% in turnover***	*HK$ in thousand*	*% in turnover*
Accommodation revenue	**4,642**	**83%**	4,873	83%
Rental revenue	**976**	**17%**	1,022	17%
	5,618	**100%**	5,895	100%

As announced on 12 July 2013, the management agreement dated 4 March 2008 (the "Management Contract") entered into by and between Xiamen South East Asia Company Limited ("Xiamen Plaza"), an indirectly wholly-owned subsidiary of the Company, and 廈門敦睦酒店管理有限公司 (Xiamen Friendship International Co., Ltd) ("Friendship International") was terminated on 9 October 2012 due to default in payment of the guaranteed annual net income at RMB6.66 million plus 1% of the annual turnover of the hotel (the "Guaranteed Income Level") payable to the Group by Friendship International for the year ended 31 December 2012. The Group had received approximately RMB3 million from Friendship International for the operation of the hotel in the corresponding period last year. As a result of the termination of the Management Contract, the Group can no longer enjoy the Guaranteed Income Level and has to operate the hotel and bear any profit or loss generated from the operation of the hotel since then.

Accommodation revenue

Revenue loss was due to the fierce competition, oversupply on the hotel Industry in Xiamen and the obsolete interior facilities. The accommodation revenue amounted to approximately HK$4.64 million for the period under review, representing a decrease of approximately 4.7% over the last period.

Rental revenue

In order to stabilize the income of the hotel operation, the Group let out the restaurant facilities and shopping arcades in hotel. The leasing contributed to approximately HK$0.98 million in rental revenue during the period for the Group.

b. Hong Kong properties held by the Group

The occupancy rate for the properties of the Group was nearly full during the year under review. It brought a steady rental income to the Group. For the six months ended 30 June 2013, the rental income of the properties in Hong Kong was approximately HK$0.64 million, while the Group recorded approximately HK$0.7 million for the corresponding period of last year. The decrease is due to the disposal of correspondence investment property at the mid of 2012.

With the support of the strong local economy, we are confident in delivering continued revenue growth in 2013. Rental reversion and stable occupancy will drive revenue growth for the Group's properties.

c. Piano Manufacturing

The Group diversified its business into piano manufacturing by acquiring a 25% equity interest in Harmony Piano in 2005. This business interest has brought a steady profit to the Group for these few years. For the six months ended 30 June 2013, the interest in Harmony Piano contributed approximately HK$0.19 million (30 June 2012: Approximately HK$0.21 million).

FUTURE DEVELOPMENT

The Group expects that macroeconomic uncertainties, the weak global economy and the slowdown in the PRC's economic growth will result in lower levels of economic activity. To respond to, and effectively capture, market opportunities that may emerge from these uncertainties, the Group will aim to closely analyze macroeconomic trends and policy changes, identify critical risks and challenges, and monitor the development and execution of business strategies. The Group will also closely monitor and review the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2013, the Group had a net cash balance of approximately HK$43.96 million (31 December 2012: HK$46.41 million). The Group's net asset value (assets less liabilities) was approximately HK$137.42 million (31 December 2012: HK$140.97 million), with a liquidity ratio (ratio of current assets to current liabilities) of 7.19 (31 December 2012: 7.25). 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 period under review, there was no material change in the Group's funding and treasury policy. The Board do not expect the Company to experience any problem with liquidity and financial resources in the foreseeable future.

The Group did not have any borrowings during the period under review.

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 and revenue generated by the Group's subsidiary in the Mainland 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.

Total equity attributable to owners of the Company decreased by approximately HK$3.55 million to approximately HK$137.42 million as compared with approximately HK$ 140.97 million as at 31 December 2012.

As at 30 June 2013, the share capital of the Company is consisted of 534,240,000 ordinary shares of HK$0.125 each. Apart from the ordinary shares in issue, the Company did not have any alternative financing instruments.

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.

CHARGE ON ASSETS

As at 30 June 2013, the Group has not charged any of its assets.

SIGNIFICANT INVESTMENTS

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group had no other significant investment held during the Period.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries and affiliated companies during the Period.

CONTINGENT LIABILITY

The Group did not have any significant contingent liability during the period under review.

HUMAN RESOURCES

As at 30 June 2013, the Group had approximately 95 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. The total staff costs, including director's emoluments, amounted to approximately HK$3.52 million for the six months ended 30 June 2013, which represents an increase of 15% as compared to the same period of 2012. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Period under review.

INTERESTS IN COMPETING BUSINESSES

During the Period, none of the Directors or their respective associates of the Company had any business which competes or is likely to compete, either directly or indirectly, with any business of the Group.

INTERESTS IN ASSETS OF THE GROUP

During the Period, none of the Directors of the Company had any direct or indirect interests in any assets which have been acquired or disposed of, or leased to, or which are proposed to be acquired or disposed of or leased to, the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors of the Company were materially interested in any contract or arrangement subsisting during the Period which is significant in relation to the business of the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognized standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

Save as disclosed below, the Company has fully complied throughout the period under review with the applicable code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. CHEUNG Wah Fung, independent non-executive Directors and Mr. FENG Qiang and Mr. YE Tao, non-executive Directors, did not attend annual general meeting of the Company held on 29 April 2013 due to their engagement in their own official business.

Code provision A.6.7 of the CG Code also requires that non-executive directors should regularly attend the board meeting of the Company. Mr. YE Tao, non-executive Directors did not attend the Board meetings during the period due to his engagement in his own official business.

Save as the aforesaid and in the opinion of the Directors, the Company has met all code provisions as set out in the CG Code during the period ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted Appendix 10 of the Listing Rules, the Model Code for Securities Transactions by Directors of Listed Issuers ("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 six months ended 30 June 2013.

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. Each Committee meeting was provided with necessary financial information of the Group for consideration, review and assessment of major issues.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the interim financial results for the period under review. The Audit Committee considers the financial statement to be complied with the appropriate financial standards and the law regulations and with enough disclosure has been made.

The unaudited interim financial report for six months ended 30 June 2013 was approved by the Board for issue on 19 August 2013.

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 Interim report of the Company for the period ended 30 June 2013 will be dispatched to shareholders of the Company and available on the above websites in due course.

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 forms the foundation for the Group's future business development.

By Order of the Board
Fujian Holdings Limited
Wang Xiaowu
Chairman

Hong Kong, 19 August 2013

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.