FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00181)

ANNOUNCEMENT
INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHT

	Six months ended 30 June 2017	Six months ended 30 June 2016
	HK$	*HK$*
• Revenue	**16,994,340**	13,057,403
• Profit/(loss) attributable to owners of the Company	**363,002**	(3,127,127)
• Profit/(loss) per share — Basic and diluted *(HK cents per Share)*	**0.03**	(0.4)

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 2017 (the "Period") together with the unaudited comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 1 January 2017 to 30 June 2017 (in HK Dollars)

	Note	**30 June 2017 (Unaudited)**	30 June 2016 (Unaudited)
Revenue	*4*	**16,994,340**	13,057,403
Other income	*6*	**1,442,312**	561,140
Other gains and losses	*7*	**(407,356)**	(56,877)
Employee benefits expense		**(6,110,247)**	(5,832,259)
Depreciation		**(2,486,669)**	(2,353,616)
Amortisation of prepaid lease payment		**(937,003)**	(937,003)
Share of results of associates		**154,339**	235,759
Other operating expenses		**(7,802,222)**	(7,748,885)
Profit/(loss) before tax	*8*	**847,494**	(3,074,338)
Income tax expense	*9*	**(113,524)**	(52,789)
Profit/(loss) for the period		**733,970**	(3,127,127)
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**1,188,607**	(590,416)
Classification adjustment of translation reserve upon deemed disposal of a subsidiary		**1,192,413**	—
Other comprehensive income/(expense) for the period, net of tax		**2,381,020**	(590,416)
Total comprehensive income/(expense) for the period		**3,114,990**	(3,717,543)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the period from 1 January 2017 to 30 June 2017 (in HK Dollars)

	Note	**30 June 2017 (Unaudited)**	30 June 2016 (Unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		**363,002**	(3,127,127)
Non-controlling interests		**370,968**	—
		733,970	(3,127,127)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**3,877,481**	(3,717,543)
Non-controlling interests		**(762,491)**	—
		3,114,990	(3,717,543)
Earnings/(loss) per share			
Basic (HK cents per share)	*10*	**0.03**	(0.4)
Diluted (HK cents per share)	*10*	**0.03**	(0.4)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2017 (in HK Dollars)

	Notes	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
Non-current assets			
Property, plant and equipment	*12*	**31,837,767**	33,953,033
Prepaid lease payment	*13*	**15,772,885**	16,709,888
Investment properties	*14*	**218,500,000**	218,500,000
Finance lease receivable		**—**	46,394,116
Interests in associates		**94,121,123**	15,361,501
Deferred tax assets		**1,894,269**	1,894,269
		362,126,044	332,812,807
Current assets			
Inventories	*15*	**191,965**	223,214
Finance lease receivable		**—**	9,502,409
Trade and other receivables	*16*	**3,355,136**	2,491,924
Cash and bank balances		**35,808,582**	100,039,994
		39,355,683	112,257,541
Current liabilities			
Trade and other payables	*17*	**7,496,448**	11,121,764
Net current assets		**31,859,235**	101,135,777
Total assets less current liabilities		**393,985,279**	433,948,584
Capital and reserves			
Share capital	*18*	**898,839,029**	898,839,029
Reserves		**(509,388,544)**	(513,266,025)
Equity attributable to owners of the Company		**389,450,485**	385,573,004
Non-controlling interests		**—**	43,702,033
Total equity		**389,450,485**	429,275,037
Non-current liabilities			
Deferred tax liabilities		**4,534,794**	4,673,547
		393,985,279	433,948,584

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2017 to 30 June 2017 (in HK Dollars)

	Attributable to owners of the Company					
	Share capital (Note 18)	**Translation reserve**	**Accumulated losses**	**Sub-total**	**Attributable to non-controlling interests**	**Total**
At 1 January 2017 (audited)	**898,839,029**	**(10,417,162)**	**(502,848,863)**	**385,573,004**	**43,702,033**	**429,275,037**
Profit for the period	**—**	**—**	**363,002**	**363,002**	**370,968**	**733,970**
Other comprehensive income/(expense) for the period	**—**	**3,514,479**	**—**	**3,514,479**	**(1,133,459)**	**2,381,020**
Deemed disposal of a subsidiary	**—**	**—**	**—**	**—**	**(42,939,542)**	**(42,939,542)**
Total comprehensive income/(expense) for the period	**—**	**3,514,479**	**363,002**	**3,877,481**	**(43,702,033)**	**(39,824,552)**
At 30 June 2017 (unaudited)	**898,839,029**	**(6,902,683)**	**(502,485,861)**	**389,450,485**	**—**	**389,450,485**

	Attributable to owners of the Company					
	Share capital	Translation reserve	Accumulated losses	Sub-total	Attributable to non-controlling interests	Total
At 1 January 2016 (audited)	747,839,049	(8,475,208)	(504,514,364)	234,849,477	—	234,849,477
Loss for the period	—	—	(3,127,127)	(3,127,127)	—	(3,127,127)
Other comprehensive expense for the period	—	(590,416)	—	(590,416)	—	(590,416)
Total comprehensive expense for the period	—	(590,416)	(3,127,127)	(3,717,543)	—	(3,717,543)
At 30 June 2016 (unaudited)	747,839,049	(9,065,624)	(507,641,491)	231,131,934	—	231,131,934

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2017 to 30 June 2017 (in HK Dollars)

1. GENERAL

Fujian Holdings Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is HC Technology Capital Company Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is Fujian Tourism Development Group Company Limited ("FTDC"), a state-owned corporation in the People's Republic of China (the "PRC"). The addresses of the registered office and principal place of business of the Company is Room 3306–08, 33/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are set out in note 6 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars ("HK$).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements 2014–2016 Cycle	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there has been no significant changes to the accounting policies in the unaudited interim condensed consolidated financial statements.

4. REVENUE

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Gross rental income from letting of investment properties	**3,013,037**	678,917
Revenue from hotel operations	**13,981,303**	12,378,486
	16,994,340	13,057,403

5. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker ("CODM"), 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 and operating segments:

	Property investment		Hotel operations		Consolidated	
	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	**30 June 2017 (Unaudited)**	30 June 2016 (Unaudited)	**30 June 2017 (Unaudited)**	30 June 2016 (Unaudited)
REVENUE						
Revenue from external customers	**3,013,037**	678,917	**13,981,303**	12,378,486	**16,994,340**	13,057,403
Segment profit/(loss) before depreciation amortisation and others	**2,980,571**	643,239	**3,854,516**	2,460,892	**6,835,087**	3,104,131
Depreciation	**—**	—	**(2,441,906)**	(2,353,616)	**(2,441,906)**	(2,353,616)
Amortisation	**—**	—	**(937,003)**	(937,003)	**(937,003)**	(937,003)
Segment results	**2,980,571**	643,239	**475,607**	(829,727)	**3,456,178**	(186,488)
Unallocated income					**1,766,763**	187,930
Central administration costs					**(3,203,343)**	(3,311,539)
Deemed disposal of a subsidiary					**(1,326,443)**	—
Share of results of associates					**154,339**	235,759
(Loss)/profit before tax					**847,494**	(3,074,338)
Income tax expense					**(113,524)**	(52,789)
Profit/(loss) for the period					**733,970**	(3,127,127)

Segment revenue as reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (30 June 2016: nil).

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of bank interest income and other unallocated income, central administration costs including director's remuneration, share of results of associates and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	Property investment		Hotel operations		Consolidated	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
Assets						
Segment assets	**231,970,400**	262,826,708	**73,486,084**	74,573,619	**305,456,484**	337,400,327
Interest in an associate					**94,121,123**	15,361,501
Unallocated corporate assets					**1,904,120**	92,308,520
Consolidated total assets					**401,481,327**	445,070,348
Liabilities						
Segment liabilities	**(1,200,247)**	(1,161,420)	**(5,156,076)**	(8,214,533)	**(6,356,323)**	(9,375,953)
Unallocated corporate liabilities					**(5,674,919)**	(6,419,358)
Consolidated total liabilities					**(12,031,242)**	(15,795,311)

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

All assets are allocated to operating segments other than interest in an associate, deferred tax assets, financial assets designated as at fair value through profit or loss and certain bank balances and cash.

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.

Information about the Group's revenue from external customers is presented based an the location of the operations. Information about the Group's non-current assets are present based on the geographical location of asset are detailed below:

	Revenue from external customers	
	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
PRC	**13,981,303**	12,378,486
Hong Kong	**3,013,037**	678,917
	16,994,340	13,057,403

6. OTHER INCOME

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Bank interest income	**207,782**	478,322
Consultancy income	**189,073**	—
Finance lease interest income	**974,200**	—
Others	**71,257**	82,818
	1,442,312	561,140

7. OTHER GAINS AND LOSSES

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Deemed disposal of a subsidiary	**(1,326,443)**	—
Gain arising on change in fair value of financial assets designated at fair value through profit or loss	**297,689**	227,516
Net foreign exchange gains/(losses)	**621,398**	(284,393)
	(407,356)	(56,877)

8. PROFIT/(LOSS) BEFORE TAX

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Profit/(loss) for the period has been arrived at after charging/(crediting):		
Gross rental income from investment properties	**(3,013,037)**	(678,917)
Less: Direct operating expenses that generated rental income during the period	**32,466**	35,678
	(2,980,571)	(643,239)
Depreciation of hotel property	**1,224,531**	1,224,531
Depreciation of other property, plant and equipment	**1,262,139**	1,129,085
	2,486,670	2,353,616
Amortisation of prepaid lease payment	**937,003**	937,003
Total depreciation and amortisation	**3,423,673**	3,290,619
Salaries and other benefits (including directors' remunerations)	**5,700,913**	5,377,446
Retirement benefit scheme contributions	**409,334**	454,813
Staff costs	**6,110,247**	5,832,259
Share of tax of associates (included in share of results of associates)	**44,851**	116,191

9. INCOME TAX EXPENSES

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Current tax — PRC	**(252,277)**	—
Deferred tax		
Current period	**138,753**	(52,789)
Income tax expenses	**(113,524)**	(52,789)

Hong Kong Profits Tax is calculated at 16.5% (30 June 2016: 16.5%) of the estimated assessable profit for the period.

No provision for Hong Kong Profits Tax has been made in the unaudited 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 2016: 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 tax rate of the PRC subsidiaries is 25% for both years.

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to the owner of the Company is based on the unaudited consolidated net profit attributable to the equity holders of the Company of HK$363,002 (30 June 2016: Loss HK$3,127,127), on 1,145,546,000 (30 June 2016: 801,360,000) ordinary shares in issue during the period.

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

11. INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the period (30 June 2016: Nil).

12. 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 2016 (audited)	92,391,462	3,411,918	15,343,397	6,373,735	117,520,512
Additions	—	—	4,014,122	101,537	4,115,659
Disposal and write-off	—	(3,835)	(216,086)	(40,053)	(259,974)
Exchange adjustments	—	(213,889)	(959,377)	(397,182)	(1,570,448)
At 31 December 2016 and 1 January 2017 (audited)	92,391,462	3,194,194	18,182,056	6,038,037	119,805,749
Additions	—	26,194	—	64,517	90,711
Written off	—	(4,311)	—	(48,247)	(52,558)
Deemed disposal of a subsidiary	—	(20,733)	—	—	(20,733)
Exchange adjustments	—	89,252	508,151	167,079	764,482
As at 30 June 2017	92,391,462	3,284,596	18,690,207	6,221,386	120,587,651
Depreciation and impairment					
At 1 January 2016 (audited)	68,104,915	2,111,272	7,925,068	3,386,228	81,527,483
Provided for the year	2,449,064	252,325	2,210,279	590,175	5,501,843
Eliminated on disposal and write-off	—	(3,835)	(216,086)	(35,318)	(255,239)
Exchange adjustments	—	(140,237)	(557,117)	(224,017)	(921,371)
At 31 December 2016 and 1 January 2017 (audited)	70,553,979	2,219,525	9,362,144	3,717,068	85,852,716
Provided for the period	1,224,531	106,293	881,491	274,597	2,486,912
Eliminated on written off	—	(4,311)	—	(28,722)	(33,033)
Deemed disposal of a subsidiary	—	(243)	—	—	(243)
Exchange adjustments	—	63,478	275,136	104,918	443,532
As at 30 June 2017	71,778,510	2,384,742	10,518,771	4,067,861	88,749,884
Net carrying amounts as at 30 June 2017	20,612,952	899,854	8,171,436	2,153,525	31,837,767
As at 31 December 2016 (audited)	21,837,483	974,669	8,819,912	2,320,969	33,953,033

13. PREPAID LEASE PAYMENT

COST	
At 1 January 2016, 31 December 2016 and 30 June 2017	86,000,000
AMORTISATION AND IMPAIRMENT	
At 1 January 2016	67,416,105
Amortisation for the year	1,874,007
At 31 December 2016	69,290,112
Amortisation for the period	937,003
At 30 June 2017	70,227,115
NET CARRYING AMOUNT	
At 30 June 2017	**15,772,885**
At 31 December 2016	16,709,888

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.

14. INVESTMENT PROPERTIES

FAIR VALUE

At 31 December 2016 and at 30 June 2017	218,500,000

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

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 2	**Level 3**	**Fair value as at 30 June 2017**
Commercial property units located in Hong Kong	—	218,000,000	218,000,000
Parking space located in Hong Kong	500,000	—	500,000
	500,000	218,000,000	218,500,000

There were no transfers into or out of Level 3 during the Period.

15. INVENTORIES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Consumables	**191,965**	223,214

16. TRADE AND OTHER RECEIVABLES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Trade receivables	**1,712,046**	952,376
Less: Allowance for doubtful debts	**(72,176)**	(70,189)
	1,639,870	882,187
Other receivables, utility deposits and prepayments	**16,543,837**	16,130,649
Less: Allowance for doubtful debts	**(14,828,571)**	(14,520,912)
	1,715,266	1,609,737
Total trade and other receivables	**3,355,136**	2,491,924

The Group allows an average credit period of 45 days (31 December 2016: 45 days) to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debt presented based on the invoice dates at the end of the reporting period.

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current to six months	**1,607,401**	834,656
Over six months and within one year	**24,900**	895
Over one year	**7,569**	46,636
	1,639,870	882,187

17 TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Trade payables	**1,306,790**	3,073,464
Other payables	**6,189,658**	8,048,300
Total trade and other payables	**7,496,448**	11,121,764

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current to six months	**956,936**	2,808,517
Over six months and within one year	**123,752**	55,066
Over one year	**226,102**	209,881
	1,306,790	3,073,464

The average credit period is 60 days (2016: 60 days).

18. SHARE CAPITAL

	Number of shares	HK$
Issued and fully paid		
At 1 January 2016	801,360,000	747,839,049
Recognition of equity settled share based payment *(note (i))*	344,186,000	150,999,980
As 31 December 2016 and 30 June 2017	1,145,546,000	898,839,029

Notes:

(i) In August 2016, the Company allotted and issued 344,186,000 ordinary shares of approximately HK$0.43 per share as consideration for the acquisition of investment properties.

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENT

These condensed interim financial statements were approved and authorised for issue by the Directors on 24 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The revenue of the Group for the period ended 30 June 2017 amounted to approximately HK$16.99 million, representing an increase approximately 30% as compared to approximately HK$13.06 million in the corresponding period of last year. The increase is mainly due to the increase in business volume of star-rated hotel operation and rental income of the properties in Hong Kong during the period under review.

For the six months ended 30 June 2017, the gearing ratio (non-current liabilities divided by the sum of total equity and non-current liabilities and multiplied by 100%) of the Group was 1.15% (31 December 2016: 1.08%).

For the six months ended 30 June 2017, the net profit attributable to owners of the Company was approximately HK$0.36 million (30 June 2016: Loss HK$3.13 million). Profit per share was approximately 0.03 HK cent for the six months ended 30 June 2017.

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 2017, revenue from the Group's hotel was approximately HK$13.98 million (30 June 2016: HK$12.38 million), representing an increase of approximately 13% from the corresponding period.

For the period under review, the occupancy rate was approximately 64% (30 June 2016: 46%), representing an increase of approximately 39% from the corresponding period of last year. Average daily rate ("ADR") was approximately RMB272 (30 June 2016: RMB255), representing a increase of approximately 7% over the corresponding period of last year.

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 2017, together with comparative figures of 2016:

	30 June 2017		30 June 2016	
	HK$ in thousand	***% of revenue***	*HK$ in thousand*	*% of revenue*
Accommodation revenue	**6,687**	**48%**	4,886	40%
Rental revenue	**3,069**	**22%**	3,242	26%
Catering	**3,768**	**27%**	4,085	33%
Others	**457**	**3%**	165	1%
	13,981	**100%**	12,378	100%

Accommodation revenue

The accommodation revenue was mainly determined by the number of available rooms, occupancy rate and ADR of the Group's hotel. During the period under review, the accommodation revenue of star-rated hotel was approximately HK$6.69 million, representing an increase of approximately 37% over the corresponding period of 2016. Although construction was in progress, the occupancy rate still grew steadily, which again points to strong customer loyalty.

Rental revenue

In order to stabilize the income of the hotel operation, the hotel leased out the shopping centre in the Group's hotel. This contributed to approximately HK$3.07 million in rental revenue during the period under review, representing approximately 22% of the Group's revenue.

Increasing costs arising from the operating environment, especially from increasing wages, remains the key challenge for the hotel industry. To overcome these adversities, the Group will continue to implement tight cost control measures and seek further improvement in operational efficiency to minimize the adverse impacts.

Catering revenue

The Group made a major effort to develop the catering business of its hotel, which generated revenue of approximately HK$3.77 million and represented approximately 27% of the Group's revenue for the period under review.

b. Hong Kong properties held by the Group

All Properties in Hong Kong held by the Group was fully rented out during the period under review, which brought a steady rental income to the Group.

The rental income of the properties in Hong Kong was approximately HK$3.01 million during the period under review. The increase is mainly due to the acquisition of investment properties in 2016. The Group recorded approximately HK$0.68 million for the corresponding period of last year.

With the support of the stable Hong Kong economy growth, we are confident in delivering continued revenue growth in 2017. Rental reversion and stable occupancy will drive the 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 Fuzhou Harmony Piano Co. Ltd. ("Harmony Piano") in 2005. For the six months ended 30 June 2017, the interest in Harmony Piano contributed approximately HK$60,000 (30 June 2016: approximately HK$240,000).

FORMATION OF JOINT VENTURE

On 6 January 2017, the Company and Fujian Huamin Industrial Group Limited ("FHIG") agreed that the registered capital of the Joint Venture Fujian Huamin Financial Leasing Co. Ltd. (福建華閩融資租賃有限公司) ("Joint Venture") shall be increased from RMB80 million to RMB170 million. The Company and FHIG shall contribute RMB27.2 million and RMB62.8 million to the increase in capital of the Joint Venture, respectively. Upon the completion of the subscription, the total capital contributions of the Company and FHIG to the Joint Venture would be increased to RMB68 million and RMB102 million, representing 40% and 60% of the registered capital of the Joint Venture, respectively.

Upon the completion of the transactions under the Capital Increase Agreement, the Company and FHIG will hold 40% and 60% of the equity interest in the Joint Venture, respectively, and the Joint Venture will cease to be a subsidiary of the Company and become an associate of the Company.

Based on the intention of the parties, all of the additional funding to the Joint Venture (after deducting minor amounts to be retained as working capital) are proposed to be utilised to further expand the sale and leaseback business of the Joint Venture. The Joint Venture did not have sufficient net assets for the expected funding of the above operations. Therefore, the Capital Increase Agreement was entered in respect of the increase in capital in the Joint Venture.

Given that relatively large amounts of capital are required in the finance leasing business, the Board believes that the proposed increase of capital of the Joint Venture to RMB170 million pursuant to the Capital Increase Agreement can further expand and develop the finance leasing business of the Joint Venture, which would diversify the income streams of the Group and increase the profitability of the Group. Given that the Joint Venture will continue to engage in the finance leasing business, the Company expects that it can share the results of the Joint Venture (as an associate of the Company) in the future, and hence, its income stream can be diversified and would not be limited to hotel operations and property investment.

The increase of paid-up capital of the Joint Venture to RMB170 million would allow the Joint Venture to take advantage of certain PRC tax benefits for finance leasing and sale and leaseback businesses, which would allow immediate reimbursement after levy (即徵即退) of the part of the actual tax burden (實際稅負) of value-added taxation over 3%, such that the overall actual value-added taxation would be not more than 3%.

FHIG indirectly held 67.92% of the issued share capital of the Company and was a controlling shareholder of the Company. Therefore, FHIG is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Capital Increase Agreement constitute connected transactions of the Company.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Capital Increase Agreement dated 6 January 2017 entered into between the Company and FHIG, on an aggregated basis with the transactions under the Investment Agreement which were entered into within a 12-month period, exceed 5% but are less than 25%, the transactions contemplated under the Capital Increase Agreement constitute a discloseable and connected transaction of the Company which is subject to the reporting, announcement and shareholder approval requirements under the Listing Rules.

FHIG, being a controlling shareholder of the Company indirectly interested in 778,068,772 Shares, representing approximately 67.92% of the issued share capital of the Company, and its indirectly wholly-owned subsidiaries (including HC Technology and Pinoge, which are directly interested in 770,016,722 Shares and 8,052,050 Shares, representing approximately 67.22% and 0.70% of the issued share capital of the Company respectively, being connected persons of the Company and having material interests in the Capital Increase Agreement (which are different from those of the Independent Shareholders), had abstained from voting at the extraordinary general meeting ("EGM") on the relevant resolution. Save for the aforesaid and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder was involved in or interested in the Capital Increase Agreement which requires such Shareholder to abstain from voting on the proposed resolution to approve the Capital Increase Agreement at the EGM.

The resolution related to the Capital Increase Agreement was approved at the extraordinary general meeting of the Company dated 23 March 2017 and completed on 10 May 2017.

FUTURE DEVELOPMENT

Improved customer services and better hotel facilities are core competitive advantages to seize the growth opportunity in local tourism and restaurant industries. The Board believes that the hotel business in Xiamen will contribute positively to the Group. Meanwhile, the hotel management is enhancing sales force regarding wedding banquet, catering and related services as well.

The uncertainties in global economic recovery, slowdown in domestic macro-economic growth, structural oversupply in the hotel industry and the rapid development of information technology relating to mobile internet will continue to affect the development of the Group's principal business. With the implementation of the "Several Opinions of the State Council on Promoting the Reform and Development of the Tourism Industry", the radiation effect of free trade zones in Fujian Province, we can see bright future for the development of hotel, tourism industry and tourism related services in China. Well-positioned to address these challenges and take these development opportunities, the Group remains fully confident in its future development.

The group will strive to seize the opportunity presented by the reform of state-Owned assets, give full play to the strengths of FTDC as "Top 20 advantage Tourism Group in China" and seek investment opportunities in tourist related and other business areas, accelerate the reform in the area of institutional mechanisms, integrate the industry chains of hotel, tourism and other businesses, together with effectively improve the asset liquidity of the Company, so as to further increase our overall asset return and diversify the income streams and business of the Group, and further increase our overall asset return and enterprise value.

FINANCIAL REVIEW

Capital structure

As at 30 June 2017, the total share capital of the Company was HK$898,839,029 divided into 1,145,546,000 ordinary shares.

Exposure to fluctuation in exchange rate and related hedges

There had been no significant change in the Group's policy in terms of exchange rate exposure. The Group operates mainly in Hong Kong and the PRC. Most of the transactions are denominated in Hong Kong dollars ("HK$") and in Renminbi (RMB). The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK$. Moderate fluctuation of RMB against HK$ was expected, the Group considered the foreign currency risk exposure is acceptable. However, management of the Group will monitor foreign exposure closely and consider the use of hedging instruments when necessary.

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.

Liquidity and Financial Resources

As at 30 June 2017, the Group had cash and cash equivalents balance of approximately HK$35.81 million (31 December 2016: HK$100.04 million). The Group's net asset value (assets less liabilities) was approximately HK$389.45 million (31 December 2016: HK$385.57 million), with a liquidity ratio (ratio of current assets to current liabilities) of 5.25 (31 December 2016: 10.09). During the period under review, 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 the foreseeable future.

Charge on Assets

As at 30 June 2017, the Group did not charged any of its assets.

Bank Loans and Other Borrowings

There were no outstanding bank loan and other borrowings by the Company and the Group as at 30 June 2017 (30 June 2016: Nil).

Capitalised Borrowing Costs

No borrowing costs were being capitalised during the period ended 30 June 2017 (30 June 2016: Nil).

Significant Investments

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

Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

Please refer to sub-section headed "Formation of joint venture" as set out in management discussion and analysis of this report.

Contingent Liability

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

Human Resources

As at 30 June 2017, the Group had approximately 153 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.

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

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Period.

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 CORPORATE GOVERNANCE CODE

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 of Directors ("the Board") believes that good corporate governance is one of the areas that leads to the success of the Company and balances 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.

The Company had fully complied throughout the period under review with the code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Directors, the Company has met all code provisions as set out in the Code during the year ended 30 June 2017.

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 had complied with the requirements set out in the Model Code for the six months ended 30 June 2017.

AUDIT COMMITTEE

The audit committee of the Company 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. Ng Man Kung. Mr. Leung Hok Lim is the Chairman of the Audit Committee. The Audit Committee adopted the terms of in accordance with the Code 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 Period. 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. The Audit Committee considers the financial statement to in compliance with the appropriate financial standards and regulations and sufficient disclosure has been made.

The unaudited interim financial report for the six months ended 30 June 2017 was approved by the Board for issue on 24 August 2017.

PUBLICATION OF INFORMATION ON WEBSITES

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 2017 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, 24 August 2017

As at the date of this announcement, the existing board of Directors comprises nine Directors, including three executive Directors, namely Mr. Wang Xiaowu, Ms. Chen Danyun and Mr. Chen Yang, three non-executive Directors, namely Mr. Feng Qiang and Mr. Zhang Fan and Mr. Wang Ruilian and three independent non-executive Directors, namely Mr. Lam Kwong Siu, Mr. Leung Hok Lim and Mr. Ng Man Kung.