FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00181)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHT

	2017	2016
	HK$'000	*HK$'000*
Revenue	**35,829**	28,827
Profit attributable to owners of the Company	**7,947**	1,666
Earnings per share		
Basic *(HK cents per share)*	**0.69**	0.18
Diluted *(HK cents per share)*	**0.69**	0.18

RESULTS

On behalf of the Board of Directors (the "Board") of Fujian Holdings Limited (the "Company"), I hereby present the consolidated results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017 (in HK Dollars)

	Notes	**2017**	2016
Revenue	4	**35,828,766**	28,827,481
Other income	6	**2,844,239**	1,122,232
Other gains and losses	7	**5,998,913**	8,976,484
Employee benefits expense		**(13,018,480)**	(12,024,609)
Depreciation of property, plant and equipment		**(4,947,450)**	(5,501,843)
Amortisation of prepaid lease payment		**(1,874,007)**	(1,874,007)
Share of profit/(loss) of associates		**1,786,851**	(354,057)
Other operating expenses		**(17,293,391)**	(17,657,606)
Profit before tax		**9,325,441**	1,514,075
Income tax (expense)/credit	8	**(1,089,340)**	41,207
Profit for the year	9	**8,236,101**	1,555,282
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**7,335,530**	(1,947,266)
Other comprehensive income/(expense) for the year, net of income tax		**7,335,530**	(1,947,266)
Total comprehensive income/(expense) for the year		**15,571,631**	(391,984)
Profit for the year attributable to:			
Owners of the Company		**7,947,117**	1,665,501
Non-controlling interests		**288,984**	(110,219)
		8,236,101	1,555,282
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**15,288,008**	(276,453)
Non-controlling interests		**283,623**	(115,531)
		15,571,631	(391,984)
Earnings per share			
Basic (HK cents per share)	10	**0.69**	0.18
Diluted (HK cents per share)	10	**0.69**	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017 (in HK Dollars)

	Notes	2017	2016
Non-current assets			
Property, plant and equipment		**29,888,237**	33,953,033
Prepaid lease payment		**14,835,881**	16,709,888
Investment properties		**223,300,000**	218,500,000
Finance lease receivable		**—**	46,394,116
Interest in associates		**99,639,981**	15,361,501
Deferred tax assets		**1,894,269**	1,894,269
		369,558,368	332,812,807
Current assets			
Inventories		**196,728**	223,214
Finance lease receivable		**—**	9,502,409
Trade and other receivables	11	**2,176,582**	2,491,924
Cash and bank balances		**44,276,066**	100,039,994
		46,649,376	112,257,541
Current liabilities			
Trade and other payables	12	**9,656,595**	11,121,764
Tax payable		**1,016,460**	—
		10,673,055	11,121,764
Net current assets		**35,976,321**	101,135,777
Total assets less current liabilities		**405,534,689**	433,948,584
Capital and reserves			
Share capital	13	**898,839,029**	898,839,029
Reserves		**(497,581,005)**	(513,266,025)
Equity attributable to owners of the Company		**401,258,024**	385,573,004
Non-controlling interests		**—**	43,702,033
Total equity		**401,258,024**	429,275,037
Non-current liabilities			
Deferred tax liabilities		**4,276,665**	4,673,547
		405,534,689	433,948,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017 (in HK Dollars)

1. BASIS OF PREPARATION

Statement of compliance

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has not applied any new standards or interpretations that are not yet effective for the current accounting year.

2. GENERAL

Fujian Holdings Limited (the "Company") is incorporated in Hong Kong as a public limited company 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 investment holding, property investment in Hong Kong and hotel operations in the PRC.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Asset for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycles[2]

[1] *Effective for annual periods beginning on or after 1 January 2018.*
[2] *Effective for annual periods beginning on or after 1 January 2019.*
[3] *Effective for annual periods beginning on or after 1 January 2021.*
[4] *Effective for annual periods beginning on or after a date to be determined.*

4. REVENUE

	2017	2016
Gross rental income from letting of investment properties	**6,079,993**	2,999,966
Revenue from hotel operations	**29,748,773**	25,827,515
	35,828,766	28,827,481

5. SEGMENT REPORTING

Information reported to the Board of Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource 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 revenue and results

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

	Property investment		Hotel operations		Total	
	2017	2016	2017	2016	2017	2016
REPORTABLE SEGMENT REVENUE						
Revenue from external customers	**6,079,993**	2,999,966	**29,748,773**	25,827,515	**35,828,766**	28,827,481
REPORTABLE SEGMENT RESULT						
Segment result before other gains and losses:	**5,997,957**	2,842,461	**3,275,313**	(1,080,028)	**9,273,270**	1,762,433
Net increase in fair value of investment properties	**4,800,000**	9,390,500	**–**	–	**4,800,000**	9,390,500
Segment result	**10,797,957**	12,232,961	**3,275,313**	(1,080,028)	**14,073,270**	11,152,933
Unallocated income/(expense)					**1,448,332**	(375,449)
Corporate administration costs					**(7,983,012)**	(8,909,352)
Share of profit/(loss) of associates					**1,786,851**	(354,057)
Profit before tax					**9,325,441**	1,514,075
Income tax (expense)/credit					**(1,089,340)**	41,207
Profit for the year					**8,236,101**	1,555,282

5. SEGMENT REPORTING (CONTINUED)

Segment revenue and results (continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: Nil).

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/(expense), corporate administration costs including director's remuneration, share of profit/(loss) of associates and income tax (expense)/credit. 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		Total	
	2017	2016	**2017**	2016	**2017**	2016
ASSETS						
Segment assets	**235,678,209**	262,826,708	**78,938,165**	74,573,619	**314,616,374**	337,400,327
Interest in associates					**99,639,981**	15,361,501
Unallocated corporate assets					**1,951,389**	92,308,520
Consolidated total assets					**416,207,744**	445,070,348
LIABILITIES						
Segment liabilities	**(1,345,047)**	(1,161,420)	**(8,461,932)**	(8,214,533)	**(9,806,979)**	(9,375,953)
Unallocated corporate liabilities					**(5,142,741)**	(6,419,358)
Consolidated total liabilities					**(14,949,720)**	(15,795,311)

All assets are allocated to operating segments other than interest in associates, deferred tax assets, finance lease receivable and certain cash and bank balances.

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

5. SEGMENT REPORTING (CONTINUED)

Other segment information

	Property investment		Hotel operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
Other segment information						
Additions to non-current assets	**59,858**	163,915,741	**109,037**	3,859,418	**168,895**	167,775,159
Depreciation of property, plant and equipment	**92,453**	73,439	**4,854,997**	5,428,404	**4,947,450**	5,501,843
Amortisation of prepaid lease payment	**–**	–	**1,874,007**	1,874,007	**1,874,007**	1,874,007
Net increase in fair value of investment properties	**(4,800,000)**	(9,390,500)	**–**	–	**(4,800,000)**	(9,390,500)
Loss on disposal of property, plant and equipment	**7,893**	2,897	**–**	1,838	**7,893**	4,735
Recovery of impairment losses recognised on other receivables	**–**	–	**1,855,223**	–	**1,855,223**	–
Impairment loss recognised on other receivables	**–**	–	**–**	2,053	**–**	2,053

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 on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
PRC	**29,748,773**	25,827,515	**144,175,205**	112,189,159
Hong Kong	**6,079,993**	2,999,966	**223,488,894**	220,623,648
	35,828,766	28,827,481	**367,664,099**	332,812,807

Information about major customers

No external customers of the Group contributed over 10% of the Group's revenue for the years ended 31 December 2017 and 2016.

6. OTHER INCOME

	2017	2016
Bank interest income	**246,835**	797,675
Consultancy income	**137,850**	4,745
Finance lease interest income	**710,278**	24,237
Recovery of other receivable previously written off	**1,609,994**	—
Others	**139,282**	295,575
	2,844,239	1,122,232

7. OTHER GAINS AND LOSSES

	2017	2016
Net increase in fair value of investment properties	**4,800,000**	9,390,500
Gain arising on change in fair value of financial assets designated as at fair value through profit or loss	**760,846**	473,198
Impairment loss recognised on other receivables	**—**	(2,053)
Loss on disposal of property, plant and equipment	**(7,893)**	(4,735)
Loss on deemed disposal of a subsidiary	**(402,324)**	—
Net foreign exchange gains/(losses)	**848,284**	(880,426)
	5,998,913	8,976,484

8. INCOME TAX EXPENSE/(CREDIT)

	2017	2016
Current tax:		
PRC Enterprise Income Tax	**1,486,222**	7,299
Deferred tax:		
Current year	**(396,882)**	(48,506)
Total income tax expense/(credit) recognised in profit or loss	**1,089,340**	(41,207)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its Hong Kong subsidiaries did not have any assessable profits for the year (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.

9. PROFIT FOR THE YEAR

	2017	2016
Profit for the year has been arrived at after (crediting)/charging:		
Gross rental income from investment properties	**(6,079,993)**	(2,999,966)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**55,733**	354,870
	(6,024,260)	(2,645,096)
Employee benefits expense (including directors' remunerations):		
Salaries and other benefits in kind	**12,325,986**	11,269,308
Contributions to retirement benefits schemes	**692,494**	755,301
	13,018,480	12,024,609
Depreciation of hotel property	**2,449,064**	2,449,064
Depreciation of other property, plant and equipment	**2,498,386**	3,052,779
	4,947,450	5,501,843
Amortisation of prepaid lease payment	**1,874,007**	1,874,007
Total depreciation and amortisation	**6,821,457**	7,375,850
Auditors' remuneration	**650,000**	600,000

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2017 and 2016 are based on the Group's profit attributable to the owners of the Company is based on the following data:

	2017	2016
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**7,947,117**	1,665,501
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,145,546,000**	932,075,448

No diluted earnings per share for both 2017 and 2016 were presented as there were no potential ordinary share in issue for both 2017 and 2016.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
Trade receivables	**1,372,472**	952,376
Less: Allowance for doubtful debts	**(75,110)**	(70,189)
	1,297,362	882,187
Other receivables, utility deposits and prepayments	**14,455,531**	16,130,649
Less: Allowance for doubtful debts	**(13,576,311)**	(14,520,912)
	879,220	1,609,737
Total trade and other receivables	**2,176,582**	2,491,924

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

	2017	2016
Current to six months	**1,295,327**	834,656
Over six months and within one year	**—**	895
Over one year	**2,035**	46,636
	1,297,362	882,187

Included in the Group's trade receivable balances are debtors with aggregate amount of HK$2,035 (2016: HK$47,531) which are past due as at the end of the reporting date for which the Group has not provided for impairment loss.

12. TRADE AND OTHER PAYABLES

	2017	2016
Trade payables	**1,317,857**	3,073,464
Other payables	**8,338,738**	8,048,300
Total trade and other payables	**9,656,595**	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:

	2017	2016
Current to six months	**1,157,065**	2,808,517
Over six months and within one year	**4,207**	55,066
Over one year	**156,585**	209,881
	1,317,857	3,073,464

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

13. SHARE CAPITAL

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

Note:

(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.

14. COMMITMENTS

	2017	2016
Commitments for the acquisition of property, plant and equipment	**1,596,766**	1,893,508

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2017, the Group recorded net profit attributable to owners of the Company approximately HK$7.95 million (2016: Approximately HK$1.66 million). The Group's substantial growth in net profit is mainly attributable to (i) the significant increase of around 100% in rental income from properties in Hong Kong for the year ended 31 December 2017 as compared to the rental income from properties in Hong Kong of approximately HK$3 million for the year ended 31 December 2016, which is mainly due to the acquisition of investment properties by the Group in 2016; (ii) the increase of around 15% in revenue from hotel operations for the year ended 31 December 2017 as compared to the revenue from hotel of approximately HK$25.83 million for the year ended 31 December 2016 and (iii) increase in profit contribution from associated companies during the year.

The turnover of the Group for the year ended 31 December 2017 amounted to approximately HK$35.83 million, representing an increase of approximately 24.28% from approximately HK$28.83 million in the previous year. The increase is mainly due to the increase in business volume of star-rated hotel operation and rental income of properties in Hong Kong during the year under review.

Given our good balance sheet status and cash generation ability, our financial position continues to be strong. As at 31 December 2017, the gearing ratio (divided non-current liabilities by equity plus non-current liabilities multiple by 100 which results in percentage) of the Group was 1.05% (2016: 1.08%).

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 2017, the turnover of the hotel operation was approximately HK$29.75 million (2016: HK$25.83 million), representing an increase of approximately 15.18% from the previous year.

For the year under review, the average occupancy rate was approximately 68.82% (2016: 54.92%), representing an increase of 13.90% over the previous year. Average daily rate (ADR) was approximately RMB285 (2016: RMB251) representing a increase of 13.55% over the previous financial 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 2017, together with comparative figures of 2016:

	31 December 2017		31 December 2016	
	Amount HK$'000	**% in turnover**	Amount HK$'000	% in turnover
Accommodation revenue	**15,493**	**52%**	11,169	43%
Rental revenue	**4,844**	**16%**	5,842	23%
Catering	**8,211**	**28%**	8,008	31%
Others	**1,201**	**4%**	808	3%
	29,749	**100%**	25,827	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 hotel. During the year under review, the accommodation revenue of star-rated hotel was approximately HK$15.49 million, representing an increase of approximately 39% over the corresponding period of 2016, which is mainly due to accommodation reserve income for year ended 31 December 2017.

Rental revenue

In order to stabilise the income of the hotel operation, the hotel leased out the shopping centre in the Group's hotel. This contributed to approximately HK$4.84 million in rental revenue during the year under review, representing approximately 16% of the hotel operation's turnover.

Catering revenue

Starting from 2015, the Group made a major effort to develop the catering business through the hotel. During the year under review which generating revenue of approximately HK$8.21 million representing approximately 28% of the hotel operation's turnover.

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 minimise the adverse impacts.

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.

B. Hong Kong properties held by the Group

The occupancy rate for the properties of the Group in Hong Kong is 100% during the year under review, which brought a steady rental income to the Group.

The rental income of the properties in Hong Kong was approximately HK$6.08 million for the year under review, while the Group recorded approximately HK$3.00 million for the previous year.

The significant increase of around 100% in rental income from properties in Hong Kong for the year ended 31 December 2017 as compared to the rental income from properties in Hong Kong of approximately HK$3.00 million for the year ended 31 December 2016, which is mainly due to the acquisition of investment properties by the Group in 2016.

With the support of the stable local economy growth, we are confident in delivering continued revenue growth in 2018. Rental reversion and stable occupancy will drive revenue growth for the Group's properties.

Operational Review (Continued)

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. This business interest has brought a steady profit to the Group for the past few years. For the year under review, the Group recorded a share of profit from its interest in Harmony Piano approximately HK$0.54 million (2016: Loss of approximately HK$0.35 million) which was primarily due to a large one-off professional charge incurred during the year.

Harmony Piano recorded a profit of the year ended 31 December 2017, was mainly due to the significant increase of revenue for year ended 31 December 2017 as compared to the year ended 31 December 2016.

Disposal of Interest in Joint Venture

On 6 January 2017, the Company and Fujian Huamin Industrial Group Limited ("FHIG") agreed that the registered capital of their 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 transactions under the Capital Increase Agreement, the total capital contributions of the Company and FHIG to the Joint Venture increased to RMB68 million and RMB102 million, respectively, the Company and FHIG held 40% and 60% of the equity interest in the Joint Venture, respectively, and the Joint Venture ceased to be a subsidiary of the Company and became 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 transaction contemplated under the Capital Increase Agreement constitute connected transaction of the Company.

Disposal of Interest in Joint Venture (Continued)

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

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.

For the year under review, the Group recorded a share of profit from the interest in Fujian Huamin Financial Leasing Co. Ltd. approximately HK$1.24 million.

Future Development

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, together with accelerate the reform in the area of institutional mechanisms, integrate the industry chains of hotel, tourism and other businesses. Meanwhile, we will expanding into industries such as finance, high technology, intelligent ,etc. to achieve diversification of our income source, so as to further increase our overall asset return and enterprise value.

Financial Review

Capital Structure

As at 31 December 2017, the total share capital of the Company was HK$898,839,029 divided into 1,145,546,000 ordinary shares.

Liquidity and Financial Resources

As at 31 December 2017, the Group had a net cash balance of approximately HK$44.28 million (2016: HK$100.04 million). The Group's net asset value (assets less liabilities) was approximately HK$401.26 million (2016: HK$429.28 million), with a liquidity ratio (ratio of current assets to current liabilities) of 4.37 (2016: 10.09). During the year 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.

Financial Review (Continued)

Charge on Assets

As at 31 December 2017, the Group had not charged any of its assets.

Funding and Treasury Policies

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.

Bank Loans and Other Borrowings

There were no outstanding bank loan and other borrowings by the Company and the Group as at 31 December 2017 (2016: Nil).

Capitalised Borrowing Costs

No borrowing costs were being capitalised during the year ended 31 December 2017 (2016: Nil).

Exposure to Fluctuation in Exchange Rate and Related Hedges

There has 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 and cash and cash equivalents 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.

As most of the Company's business operations are located in Hong Kong and Mainland China, the Company faces foreign currency risks due to exchange gain/loss from exchange rate fluctuations as well as currency conversion risk due to converted net asset value fluctuations of investment projects in Mainland China. To effectively manage foreign currency risk, the Company closely monitors foreign exchange markets, and utilises multiple strategic approaches, such as optimising cash management strategy and project finance instruments, to manage foreign exchange risk.

Material acquisitions and disposals

The Description of Acquisitions and disposals during the year under review is set out in management discussion and analysis section of this report.

Capital Commitments

	2017	2016
	HK$	*HK$*
Capital expenditure for the acquisition of property, plant and equipment	**1,596,766**	1,893,508

Financial Review (Continued)

Contingent Liability

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

Major Events

Save as aforesaid, the Group had no material capital commitments and no future plans for material investments or capital assets as at 31 December 2017.

Human Resources

As at 31 December 2017, the Group had approximately 140 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 Directors do not recommend the payment of a dividend for the year ended 31 December 2017.

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 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. In response to specific enquiries made, all Directors confirmed that they had complied with the required standards of dealings as set out in the Model Code during the year.

INVESTMENT PROPERTIES

At 31 December 2017, 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$223.30 million.

Particulars of investment property interests held by the Group at 31 December 2017 are as follows:

Investment properties	**Leasehold expiry**	**Gross floor area** *(square feet)*	**Year of completion**	**Group's attributable interest**
Hong Kong				
Commercial				
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%
Units A, C and D on 21st Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong	2047	8,340	1967	100%
Others				
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%

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Adapting and adhering to recognised 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 has fully complied throughout the year 2017 with the applicable provisions set out in the Corporate Governance Code (the "Code") contained 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 complied all code provisions as contained in the Code during the year ended 31 December 2017.

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 monitoring liquidity position from time to time to cope with business operation of the Company.

The Board had conducted a review on the effectiveness of the Group's internal control and risk management systems once during the year ended 31 December 2017 which covered financial, operational, compliance procedural and risk management functions and had considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. In light of the size and scale of the Group's businesses, the Board is also delegated with the responsibilities for the internal control of the Group and for reviewing its effectiveness. As such, the Group currently does not have an internal audit team. The Board will review and consider to establish such department as and when it thinks necessary.

RISK MANAGEMENT (CONTINUED)

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders.

The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, frauds or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

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 ensure 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.

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.

CORPORATE MONITOR (CONTINUED)

In respect of the securities transactions made by Directors and relevant employees, the Company has adopted Appendix 10 to the Listing Rules, the Model Code, as its own Code of conduct regarding the standard for securities transactions. Printed copies of the Model Code have been distributed to each Director and relevant employees of the Group as stipulated therein. Having made specific enquires of all Directors, all the Directors confirmed that they have complied with the standards set out therein.

Employees who are likely to be in possession of unpublished price-sensitive information about the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code.

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 2017 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 financial results of the Group for the year ended 31 December 2017. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Company's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB 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 HKICPA and consequently no assurance has been expressed by HLB 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
Liu Hongjian
Chairman

Hong Kong, 23 March 2018

As at the date of this announcement, the existing Board of Directors comprises nine Directors, including three Executive Directors, namely Mr. Liu Hongjian, Ms. Chen Danyun and Mr. Chen Yang, three Non-executive Directors, namely Mr. Feng Qiang, 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.