FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00181)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHT

	2018	2017
	HK$'000	*HK$'000*
Revenue	**39,146**	35,829
Profit attributable to owners of the Company	**9,416**	7,947
Earnings per share		
Basic *(HK cents per share)*	**0.82**	0.69
Diluted *(HK cents per share)*	**0.82**	0.69

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 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 (in HK Dollars)

	Notes	**2018**	2017
Revenue	4	**39,145,938**	35,828,766
Other income	6	**419,420**	2,844,239
Other gains and losses	7	**7,739,561**	5,998,913
Employee benefits expense		**(14,542,537)**	(13,018,480)
Depreciation of property, plant and equipment		**(4,755,982)**	(4,947,450)
Amortisation of prepaid lease payment		**(1,874,007)**	(1,874,007)
Share of profit of associates		**3,119,734**	1,786,851
Other operating expenses		**(18,478,924)**	(17,293,391)
Profit before tax		**10,773,203**	9,325,441
Income tax expense	8	**(1,357,559)**	(1,089,340)
Profit for the year	9	**9,415,644**	8,236,101
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(6,260,932)**	7,335,530
Other comprehensive (expense)/income for the year, net of income tax		**(6,260,932)**	7,335,530
Total comprehensive income for the year		**3,154,712**	15,571,631
Profit for the year attributable to:			
Owners of the Company		**9,415,644**	7,947,117
Non-controlling interests		**–**	288,984
		9,415,644	8,236,101
Total comprehensive income attributable to:			
Owners of the Company		**3,154,712**	15,288,008
Non-controlling interests		**–**	283,623
		3,154,712	15,571,631
Earnings per share			
Basic (HK cents per share)	10	**0.82**	0.69
Diluted (HK cents per share)	10	**0.82**	0.69

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 (in HK Dollars)

	Notes	**2018**	2017
Non-current assets			
Property, plant and equipment		**26,039,356**	29,888,237
Prepaid lease payment		**12,961,874**	14,835,881
Investment properties		**230,300,000**	223,300,000
Interest in associates		**97,857,873**	99,639,981
Deferred tax assets		**1,886,819**	1,894,269
		369,045,922	369,558,368
Current assets			
Inventories		**273,071**	196,728
Trade and other receivables	11	**1,738,815**	2,176,582
Cash and bank balances		**49,541,745**	44,276,066
		51,553,631	46,649,376
Current liabilities			
Trade and other payables	12	**11,487,862**	9,656,595
Tax payable		**615,836**	1,016,460
		12,103,698	10,673,055
Net current assets		**39,449,933**	35,976,321
Total assets less current liabilities		**408,495,855**	405,534,689
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	13	**898,839,029**	898,839,029
Reserves		**(494,426,293)**	(497,581,005)
Total equity		**404,412,736**	401,258,024
Non-current liabilities			
Deferred tax liabilities		**4,083,119**	4,276,665
		408,495,855	405,534,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (in HK Dollars)

1. BASIS OF PREPARATION

Statement of compliance

The financial information relating to the years ended 31 December 2018 and 2017 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 2017 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 2018 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*
Amendments to HKFRS 15	Clarifications to HKFRS 15 *Revenue from Contracts with Customers*
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

3.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018.

The Group recognises revenue from the investment properties rental and hotel operations.

There is no impact of transition to HKFRS 15 on retained profits as at 1 January 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

3.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments*, and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for the financial assets and finance lease receivables and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39").

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL when uses a lifetime ECL for all trade receivables from initial recognition. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

ECL for other financial assets at amortised cost, including bank balances, other receivables and rental deposits paid, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

The directors considered that the measurement of ECL has no material impact to the Group's retained earnings at 1 January 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] *Effective for annual periods beginning on or after 1 January 2019.*

[2] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

[3] *Effective for annual periods beginning on or after 1 January 2020.*

[4] *Effective for annual periods beginning on or after 1 January 2021.*

[5] *Effective for annual periods beginning on or after a date to be determined.*

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKRFS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

HKFRS 16 *Leases* (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has a prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$224,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$223,000 and refundable rental deposits received of approximately HK$2,394,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised costs. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustment to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKRFS 16 as lessee and will recognised the cumulative effect of initial application to opening retained profits without restating comparative information.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains or losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

Amendments to HKFRSs *Annual Improvements to HKFRSs 2015-2017 Cycle*

The annual improvement packages amended the following four standards.

HKAS 12 *Income Taxes*

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

HKAS 23 *Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

Amendments to HKFRSs *Annual Improvements to HKFRSs 2015-2017 Cycle* (continued)

HKFRS 3 *Business Combinations*

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

HKFRS 11 *Joint Arrangements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation.

4. REVENUE

An analysis of revenue is as follows:

	2018	2017
Revenue from other sources		
— Gross rental income	**5,916,719**	6,079,993
Revenue from contract with customers		
— Hotel operations	**33,229,219**	29,748,773
	39,145,938	35,828,766

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	
	2018	2017	**2018**	2017	**2018**	2017
REPORTABLE SEGMENT REVENUE						
Revenue from external customers	**5,916,719**	6,079,993	**33,229,219**	29,748,773	**39,145,938**	35,828,766
REPORTABLE SEGMENT RESULT						
Segment result before other gains and losses:	**5,487,237**	5,997,957	**2,852,493**	3,275,313	**8,339,730**	9,273,270
Net increase in fair value of investment properties	**7,000,000**	4,800,000	**–**	–	**7,000,000**	4,800,000
Segment result	**12,487,237**	10,797,957	**2,852,493**	3,275,313	**15,339,730**	14,073,270
Unallocated (expense)/income					**(343,861)**	1,448,332
Corporate administration costs					**(7,342,400)**	(7,983,012)
Share of profit of associates					**3,119,734**	1,786,851
Profit before tax					**10,773,203**	9,325,441
Income tax expense					**(1,357,559)**	(1,089,340)
Profit for the year					**9,415,644**	8,236,101

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: 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 (expense)/income, corporate administration costs including director's remuneration, share of profit of associates and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. SEGMENT REPORTING (CONTINUED)

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	
	2018	2017	**2018**	2017	**2018**	2017
ASSETS						
Segment assets	**242,489,956**	235,678,209	**78,311,355**	78,938,165	**320,801,311**	314,616,374
Interest in associates					**97,857,873**	99,639,981
Unallocated corporate assets					**1,940,369**	1,951,389
Consolidated total assets					**420,599,553**	416,207,744
LIABILITIES						
Segment liabilities	**(2,679,827)**	(1,345,047)	**(8,587,347)**	(8,461,932)	**(11,267,174)**	(9,806,979)
Unallocated corporate liabilities					**(4,919,643)**	(5,142,741)
Consolidated total liabilities					**(16,186,817)**	(14,949,720)

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

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

Other segment information

	Property investment		Hotel operations		Total	
	2018	2017	**2018**	2017	**2018**	2017
Other segment information						
Additions to non-current assets	**–**	59,858	**1,316,062**	109,037	**1,316,062**	168,895
Depreciation of property, plant and equipment	**93,656**	92,453	**4,662,326**	4,854,997	**4,755,982**	4,947,450
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	**(7,000,000)**	(4,800,000)	**–**	–	**(7,000,000)**	(4,800,000)
Loss on disposal of property, plant and equipment	**–**	7,893	**14,658**	–	**14,658**	7,893
Recovery of impairment losses recognised on other receivables	**–**	–	**–**	1,855,223	**–**	1,855,223

5. SEGMENT REPORTING (CONTINUED)

Geographical information

The Group operates in two principal geographical areas — the Mainland 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	
	2018	2017	**2018**	2017
Mainland	**33,229,219**	29,748,773	**136,763,866**	144,175,205
Hong Kong	**5,916,719**	6,079,993	**230,395,237**	223,488,894
	39,145,938	35,828,766	**367,159,103**	367,664,099

Information about major customers

No external customers of the Group contributed over 10% of the Group's revenue for the years ended 31 December 2018 and 2017.

6. OTHER INCOME

	2018	2017
Bank interest income	**131,349**	246,835
Consultancy income	**—**	137,850
Finance lease interest income	**—**	710,278
Recovery of other receivable previously written off	**—**	1,609,994
Others	**288,071**	139,282
	419,420	2,844,239

7. OTHER GAINS AND LOSSES

	2018	2017
Net increase in fair value of investment properties	**7,000,000**	4,800,000
Gain arising on change in fair value of financial assets as at fair value through profit or loss	**1,241,893**	760,846
Loss on disposal of property, plant and equipment	**–**	(7,893)
Loss on deemed disposal of a subsidiary	**–**	(402,324)
Net foreign exchange (losses)/gains	**(502,332)**	848,284
	7,739,561	5,998,913

8. INCOME TAX EXPENSE

	2018	2017
Current tax:		
PRC Enterprise Income Tax	**1,551,105**	1,486,222
Deferred tax:		
Current year	**(193,546)**	(396,882)
Total income tax expense recognised in profit or loss	**1,357,559**	1,089,340

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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 (2017: 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

	2018	2017
Profit for the year has been arrived at after (crediting)/charging:		
Gross rental income from investment properties	**(5,916,719)**	(6,079,993)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**122,767**	55,733
	(5,793,952)	(6,024,260)
Employee benefits expense (including directors' remunerations):		
Salaries and other benefits in kind	**13,828,590**	12,325,986
Contributions to retirement benefits schemes	**713,947**	692,494
	14,542,537	13,018,480
Depreciation of hotel property	**2,449,064**	2,449,064
Depreciation of other property, plant and equipment	**2,306,918**	2,498,386
	4,755,982	4,947,450
Amortisation of prepaid lease payment	**1,874,007**	1,874,007
Total depreciation and amortisation	**6,629,989**	6,821,457
Auditors' remuneration	**680,000**	650,000

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2018 and 2017 are based on the Group's profit attributable to the owners of the Company is based on the following data:

	2018	2017
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**9,415,644**	7,947,117
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,145,546,000**	1,145,546,000

No diluted earnings per share for both 2018 and 2017 were presented as there were no potential ordinary share in issue for both 2018 and 2017.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivables	**1,292,257**	1,372,472
Loss allowance	**(71,656)**	(75,110)
	1,220,601	1,297,362
Other receivables, utility deposits and prepayments	**13,470,251**	14,455,531
Loss allowance	**(12,952,037)**	(13,576,311)
	518,214	879,220
Total trade and other receivables	**1,738,815**	2,176,582

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$1,292,257 and HK$1,372,472 respectively.

The following is an aged analysis of trade receivables net of loss allowance presented based on the invoice dates at the end of the reporting period.

	2018	2017
0–30 days	**1,217,791**	1,116,888
31–60 days	**—**	86,366
61–90 days	**91**	89,845
91–180 days	**1,210**	2,228
181–360 days	**—**	—
Over 360 days	**1,509**	2,035
	1,220,601	1,297,362

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,509 which are past due as at the reporting date. Out of the past due balances, there has no balances been past due 90 days or more and is not considered as in default.

As at 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$2,035 which are past due as at the reporting date for which the Group has not provided for impairment loss.

12. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables	**1,268,555**	1,317,857
Other payables	**10,219,307**	8,338,738
Total trade and other payables	**11,487,862**	9,656,595

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

	2018	2017
Current to six months	**1,037,159**	1,157,065
Over six months and within one year	**59,023**	4,207
Over one year	**172,373**	156,585
	1,268,555	1,317,857

The average credit period is 60 days (2017: 60 days).

13. SHARE CAPITAL

	2018		2017	
Issued and fully paid	**Number of shares**	**HK$**	Number of shares	HK$
At 1 January and 31 December	**1,145,546,000**	**898,839,029**	1,145,546,000	898,839,029

14. CAPITAL COMMITMENTS

	2018	2017
Commitments for the acquisition of property, plant and equipment	**–**	1,596,766

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2018, the Group recorded net profit attributable to owners of the Company approximately HK$9.42 million (2017: Approximately HK$7.95 million). The Group's substantial growth in net profit is mainly attributable to (i) the increase of around 11.70% in revenue from hotel operations for the year ended 31 December 2018 as compared to the revenue from hotel of approximately HK$29.75 million for the year ended 31 December 2017; (ii) increase in profit contribution from associated companies during the year and (iii) the higher gains arising on change in fair value of investment properties for the year 2018 when compared to the corresponding financial year.

The turnover of the Group for the year ended 31 December 2018 amounted to approximately HK$39.15 million, representing an increase of approximately 9.26% from approximately HK$35.83 million in the previous year. The increase is mainly due to the increase in business volume of star-rated hotel operation 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 2018, the gearing ratio (dividing non-current liabilities by equity plus non-current liabilities multiplied by 100 which results in a percentage) of the Group was 1% (2017: 1.05%).

Operational Review

A. Star-rated hotel operation

In 2018, the hotel introduced new management model by carrying out professional manager system reform, successfully restored the title of four-star by passing verification and was also awarded the honor of "the Top 100 Conference Hotel of China".

Star-rated hotel operation is the main source of revenue for the Group. For the year ended 31 December 2018, the turnover of the hotel operation was approximately HK$33.23 million (2017: HK$29.75 million), representing an increase of approximately 11.70% from the previous year.

For the year under review, the average occupancy rate was approximately 80.12% (2017: 68.82%), representing an increase of 16.42% over the previous year. Average daily rate (ADR) was approximately RMB298 (2017: RMB285) representing an increase of 4.6% over the previous financial year.

Operational Review (Continued)

A. Star-rated hotel operation (Continued)

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 2018, together with comparative figures of 2017:

	31 December 2018		31 December 2017	
	Amount HK$'000	**% in turnover**	Amount HK$'000	% in turnover
Accommodation revenue	**20,037**	**60%**	15,493	52%
Catering revenue	**8,607**	**26%**	8,211	28%
Rental revenue	**3,693**	**11%**	4,844	16%
Others	**892**	**3%**	1,201	4%
	33,229	**100%**	29,749	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 year under review, the accommodation revenue of star-rated hotel was approximately HK$20.04 million, representing an increase of approximately 29% over the corresponding period of 2017, which is mainly due to accommodation reserve income for year ended 31 December 2018.

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$8.61 million representing approximately 26% 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.

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$3.69 million in rental revenue during the year under review, representing approximately 11% of the hotel operation's turnover.

Operational Review (Continued)

B. Hong Kong properties held by the Group

As at 31 December 2018, all properties in Hong Kong held by the Group were 100% rented out, which brought a steady rental income to the Group.

During the year under review, the rental income of the properties in Hong Kong was approximately HK$5.92 million, representing a decrease of approximately 2.69%. The decrease is mainly due to certain units being vacant during the period under review and searching for new tenants with better return. Such units were leased out in July of 2018. The Group recorded approximately HK$6.08 million in rental income of properties in Hong Kong for the corresponding period of last year.

With the support of the stable Hong Kong economy growth, increase in rental from rental renewal 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. 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 loss from its interest in Harmony Piano approximately HK$0.21 million (2017: Profit of approximately HK$0.54 million). Loss from the interest in Harmony Piano is mainly attributable to diminished gross profit margin.

D. Finance Leasing

For the year ended 31 December 2018, the interest in joint venture contributed approximately HK$3.33 million profit for the period.

Future Development

Looking forward into 2019, the Group will adhere to the corporate strategy using investment management and operation management as a core method for achieving continuous value-based growth. On the one hand, the Group will continue its searches for assets with healthy profitability and excellent growth potential as long-term investment through investment management. On the other hand, it will establish a group-level multi-dimensional operation-supporting system covering among others, brand operation, management information, human resources and supply chain to advance operation efficiency, lower costs and enhance brand influence.

We are aware that during the past year, China's hotel industry has maintained a relatively speedy growth and has been constantly changing. However, the nature of China's hotel industry remained unchanged. The increase of disposable income per capita, the rise of urbanization level and the accelerating pace of life remained the base driving forces behind the long-term and constant growth of China's hotel industry.

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 actively seek breakthroughs in the field of tourism-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 expand into industries such as finance, high technology, intelligent technology, 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 2018, 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 2018, the Group had a net cash balance of approximately HK$49.54 million (2017: HK$44.28 million). The Group's net asset value (assets less liabilities) was approximately HK$404.41 million (2017: HK$401.26 million), with a liquidity ratio (ratio of current assets to current liabilities) of 4.26 (2017: 4.37). During the year under review, there was no material change in the Group's funding and treasury policies. 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 31 December 2018, the Group had not charged any of its assets. (2017: Nil)

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.

Treasury Management and Cash Funding

The Group's funding and treasury policies are designed to maintain a diversified and balanced debt profile and financing structure. The Group continues to monitor its cash flow position and debt profile, and to enhance the cost-efficiency of funding initiatives by its centralized treasury function. In order to maintain financial flexibility and adequate liquidity for the Group's operations, potential investments and growth, the Group has built a strong base of funding resources and will keep exploring cost-efficient ways of financing.

Bank Loans and Other Borrowings

There was no outstanding bank loan and other borrowing by the Company and the Group as at 31 December 2018 (2017: Nil).

Capitalised Borrowing Costs

No borrowing cost was being capitalised during the year ended 31 December 2018 (2017: Nil).

Financial Review (Continued)

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

During the year under review, there were no material acquisition or disposal of any subsidiary or associate of the Group.

Capital Commitments

	2018	2017
	HK$	*HK$*
Capital expenditure for the acquisition of property, plant and equipment	**–**	1,596,766

Contingent Liability

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

Financial Review (Continued)

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 2018.

Human Resources

As at 31 December 2018, the Group had approximately 132 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 2018.

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 2018.

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 2018, 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$230.30 million.

Particulars of investment property interests held by the Group at 31 December 2018 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 2018 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 2018.

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 2018 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 2018 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 2018. 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 2018 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
Chen Yangbiao
Chairman

Hong Kong, 25 March 2019

As at the date of this announcement, the existing Board of Directors comprises nine Directors, including three Executive Directors, namely Mr. Chen Yangbiao, Ms. Chen Danyun and Mr. Chen Yang, three Non-executive Directors, namely Mr. Feng Qiang, Mr. Wang Ruilian and Ms. Weng Weijian and three Independent Non-executive Directors, namely Mr. Lam Kwong Siu, Mr. Ng Man Kung and Ms. Liu Mei Ling Rhoda.