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FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00181)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	HK\$'000	HK\$'000
Revenue	<u>25,689</u>	<u>42,005</u>
Profit attributable to owners of the Company	<u>2,027</u>	<u>9,462</u>
Earnings per share		
Basic <i>(HK cents per share)</i>	<u>0.18</u>	<u>0.83</u>
Diluted <i>(HK cents per share)</i>	<u>0.18</u>	<u>0.83</u>

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 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020 (in HK Dollars)

	Notes	<u>2020</u>	<u>2019</u>
Revenue	4	25,689,212	42,004,603
Other income	6	362,711	358,199
Other gains and losses	7	(373,011)	5,823,686
Employee benefits expense		(12,175,178)	(16,238,550)
Depreciation of property, plant and equipment		(3,913,391)	(4,224,056)
Depreciation of right-of-use assets		(3,255,582)	(3,025,324)
Finance costs		(68,986)	(87,227)
Share of profit of associates		9,682,484	3,315,217
Other operating expenses		(14,839,978)	(17,707,280)
Profit before tax		1,108,281	10,219,268
Income tax credit/(expense)	8	919,088	(757,246)
Profit for the year attributable to owners of the Company	9	2,027,369	9,462,022
Other comprehensive income/(expense) attributable to owners of the Company			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		9,722,678	(2,720,951)
Other comprehensive income/(expense) for the year attributable to owners of the Company, net of income tax		9,722,678	(2,720,951)
Total comprehensive income for the year attributable to owners of the Company		<u>11,750,047</u>	<u>6,741,071</u>
Earnings per share			
Basic (HK cents per share)	10	<u>0.18</u>	<u>0.83</u>
Diluted (HK cents per share)	10	<u>0.18</u>	<u>0.83</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020 (in HK Dollars)

	Notes	2020	2019
Non-current assets			
Property, plant and equipment		18,910,518	21,836,468
Right-of-use assets		10,825,708	14,081,290
Investment properties		233,800,000	235,300,000
Interest in associates		115,860,756	99,244,445
Deferred tax assets		1,886,819	1,886,819
		<u>381,283,801</u>	<u>372,349,022</u>
Current assets			
Inventories		283,736	332,289
Trade and other receivables	11	2,238,786	1,653,809
Cash and bank balances		55,701,628	55,966,829
		<u>58,224,150</u>	<u>57,952,927</u>
Current liabilities			
Trade and other payables	12	12,585,578	12,120,533
Lease liabilities		1,414,614	1,374,614
Tax payable		—	655,792
		<u>14,000,192</u>	<u>14,150,939</u>
Net current assets		<u>44,223,958</u>	<u>43,801,988</u>
Total assets less current liabilities		<u>425,507,759</u>	<u>416,151,010</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	13	898,839,029	898,839,029
Reserves		(475,935,175)	(487,685,222)
Total equity		<u>422,903,854</u>	<u>411,153,807</u>
Non-current liabilities			
Lease liabilities		239,739	1,654,353
Deferred tax liabilities		2,364,166	3,342,850
		<u>2,603,905</u>	<u>4,997,203</u>
		<u>425,507,759</u>	<u>416,151,010</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in HK Dollars)

1. BASIS OF PREPARATION

Statement of compliance

The financial information relating to the years ended 31 December 2020 and 2019 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 consolidated 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 consolidated financial statements for the year ended 31 December 2019 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 consolidated financial statements for the year ended 31 December 2020 in due course.

The Company's auditor has reported on the consolidated 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 consolidated 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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020 (in HK Dollars)

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and amendments to HKFRSs in the current year has had no material impact on the Group’s consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020 (in HK Dollars)

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)

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

4. REVENUE

An analysis of revenue is as follows:

	2020	2019
Revenue from other sources		
— Gross rental income	6,996,370	7,162,074
Revenue from contract with customers		
— Hotel operations	18,692,842	34,842,529
	25,689,212	42,004,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020 (in HK Dollars)

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	
	2020	2019	2020	2019	2020	2019
REPORTABLE SEGMENT REVENUE						
Revenue from external customers	<u>6,996,370</u>	<u>7,162,074</u>	<u>18,692,842</u>	<u>34,842,529</u>	<u>25,689,212</u>	<u>42,004,603</u>
REPORTABLE SEGMENT RESULT						
Segment result before other gains and losses:	<u>6,924,222</u>	<u>7,015,099</u>	<u>(4,694,729)</u>	<u>4,220,440</u>	<u>2,229,493</u>	<u>11,235,539</u>
Net (decrease)/increase in fair value of investment properties	<u>(1,500,000)</u>	<u>5,000,000</u>	<u>—</u>	<u>—</u>	<u>(1,500,000)</u>	<u>5,000,000</u>
Segment result	<u>5,424,222</u>	<u>12,015,099</u>	<u>(4,694,729)</u>	<u>4,220,440</u>	<u>729,493</u>	<u>16,235,539</u>
Unallocated income					<u>231,001</u>	<u>11,194</u>
Finance costs					<u>(68,986)</u>	<u>(87,227)</u>
Corporate administration costs					<u>(9,465,711)</u>	<u>(9,255,455)</u>
Share of profit of associates					<u>9,682,484</u>	<u>3,315,217</u>
Profit before tax					<u>1,108,281</u>	<u>10,219,268</u>
Income tax credit/(expense)					<u>919,088</u>	<u>(757,246)</u>
Profit for the year					<u><u>2,027,369</u></u>	<u><u>9,462,022</u></u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2019: 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 directors’ 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020 (in HK Dollars)

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	
	2020	2019	2020	2019	2020	2019
ASSETS						
Segment assets	245,353,828	247,368,512	74,732,529	78,754,730	320,086,357	326,123,242
Interest in associates					115,860,756	99,244,445
Unallocated corporate assets					3,560,838	4,934,262
Consolidated total assets					<u>439,507,951</u>	<u>430,301,949</u>
LIABILITIES						
Segment liabilities	(2,771,391)	(2,770,566)	(8,986,337)	(9,178,162)	(11,757,728)	(11,948,728)
Unallocated corporate liabilities					(4,846,369)	(7,199,414)
Consolidated total liabilities					<u>(16,604,097)</u>	<u>(19,148,142)</u>

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	
	2020	2019	2020	2019	2020	2019
Other segment information						
Additions to non-current assets	33,362	57,100	598,873	159,849	632,235	216,949
Depreciation of property, plant and equipment	21,135	34,281	3,892,256	4,189,775	3,913,391	4,224,056
Depreciation of right-of-use assets	1,381,575	1,151,317	1,874,007	1,874,007	3,255,582	3,025,324
Net decrease/(increase) in fair value of investment properties	1,500,000	(5,000,000)	—	—	1,500,000	(5,000,000)
Loss on disposal of property, plant and equipment	18,402	7,066	13,995	25,190	32,397	32,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020 (in HK Dollars)

5. SEGMENT REPORTING (continued)

Geographical information

The Group operates in two principal geographical areas — the Mainland China 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 other than deferred tax assets is presented based on the geographical location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2020	2019	2020	2019
Mainland China	18,692,842	34,842,529	143,880,322	132,057,790
Hong Kong	6,996,370	7,162,074	235,516,660	238,404,413
	<u>25,689,212</u>	<u>42,004,603</u>	<u>379,396,982</u>	<u>370,462,203</u>

Information about major customers

No external customers of the Group contributed over 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

6. OTHER INCOME

	2020	2019
Bank interest income	123,381	190,338
Government grants	81,000	—
Others	158,330	167,861
	<u>362,711</u>	<u>358,199</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020 (in HK Dollars)

7. OTHER GAINS AND LOSSES

	<u>2020</u>	<u>2019</u>
Net (decrease)/increase in fair value of investment properties	(1,500,000)	5,000,000
Gain arising on change in fair value of financial assets at fair value through profit or loss	1,121,914	1,017,982
Net foreign exchange gains/(losses)	5,075	(194,296)
	<u>(373,011)</u>	<u>5,823,686</u>

8. INCOME TAX

	<u>2020</u>	<u>2019</u>
Current tax:		
PRC Enterprise Income Tax	—	1,804,859
Under/(over) provision in prior years	59,596	(307,344)
	59,596	1,497,515
Deferred tax:		
Current year	(978,684)	(740,269)
Total income tax (credit)/expense recognised in profit or loss	<u>(919,088)</u>	<u>757,246</u>

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 (2019: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020 (in HK Dollars)

9. PROFIT FOR THE YEAR

	<u>2020</u>	<u>2019</u>
Profit for the year has been arrived at after (crediting)/charging:		
Gross rental income from investment properties	(6,996,370)	(7,162,074)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	86,394	146,976
	<u>(6,909,976)</u>	<u>(7,015,098)</u>
Employee benefits expense (including directors' remunerations):		
Salaries and other benefits in kind	11,865,605	15,481,327
Contributions to retirement benefits schemes	309,573	757,223
	<u>12,175,178</u>	<u>16,238,550</u>
Depreciation of right-of-use assets	3,255,582	3,025,324
Depreciation of hotel property	2,449,064	2,449,064
Depreciation of other property, plant and equipment	1,464,327	1,774,992
	<u>7,168,973</u>	<u>7,249,380</u>
Total depreciation	<u>7,168,973</u>	<u>7,249,380</u>
Auditors' remuneration	<u>700,000</u>	<u>680,000</u>

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2020 and 2019 are based on the Group's profit attributable to the owners of the Company is based on the following data:

	<u>2020</u>	<u>2019</u>
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>2,027,369</u>	<u>9,462,022</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,145,546,000</u>	<u>1,145,546,000</u>

No diluted earnings per share for both 2020 and 2019 were presented as there were no potential ordinary share in issue for both 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020 (in HK Dollars)

11. TRADE AND OTHER RECEIVABLES

	<u>2020</u>	<u>2019</u>
Trade receivables	1,372,269	908,774
Loss allowance	(122,815)	(70,090)
	1,249,454	838,684
Other receivables, utility deposits and prepayments	14,465,500	13,472,892
Loss allowance	(13,476,168)	(12,657,767)
	989,332	815,125
Total trade and other receivables	<u>2,238,786</u>	<u>1,653,809</u>

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.

	<u>2020</u>	<u>2019</u>
0–30 days	1,274,492	832,043
31–60 days	–	2,701
61–90 days	18,544	3,940
91–180 days	4,634	–
181–360 days	–	–
Over 360 days	74,599	70,090
	1,372,269	908,774
Less: Loss allowance	(122,815)	(70,090)
	<u>1,249,454</u>	<u>838,684</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020 (in HK Dollars)

12. TRADE AND OTHER PAYABLES

	<u>2020</u>	<u>2019</u>
Trade payables	2,226,076	1,855,425
Other payables	10,359,502	10,265,108
Total trade and other payables	<u>12,585,578</u>	<u>12,120,533</u>

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

	<u>2020</u>	<u>2019</u>
0–180 days	1,987,792	1,675,682
181–360 days	238,284	3,100
Over 360 days	–	176,643
	<u>2,226,076</u>	<u>1,855,425</u>

The average credit period is 60 days (2019: 60 days).

13. SHARE CAPITAL

Issued and fully paid	2020		2019	
	Number of shares	HK\$	Number of shares	HK\$
At 1 January and 31 December	<u>1,145,546,000</u>	<u>898,839,029</u>	<u>1,145,546,000</u>	<u>898,839,029</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2020, the Group recorded a revenue of approximately HK\$25.69 million, representing a decrease of approximately 38.85% as compared to approximately HK\$42.01 million in the corresponding period last year.

Net profit attributable to shareholders was approximately HK\$2.03 million (2019: HK\$9.46 million).

Earnings per share was approximately 0.18 HK cents for year ended 31 December 2020 (2019: Earning per share 0.83 HK cents).

Net assets (total assets less total liabilities) increase by approximately HK\$11.76 million to approximately HK\$422.91 million as compared with HK\$411.15 million as at 31 December 2019.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2020.

Prospects

The outbreak of Coronavirus Disease 2019 (“COVID-19”) has caused great damage to tourism and hotel industry. With the gradual control of the epidemic and the recovery of the industry, the Group will grasp the long term development trend of tourism and related industries by relying on our advantages in Fujian Province, confront challenges, deploy and implement business strategies in order to enhance our internal driving force and long-term competitiveness for our sustainable development, thereby providing foundation for our future development.

In addition, the Group will speed up its review of its existing business and continuously update its business plans and strategies to keep pace with future development. On the basis of consolidating existing business, we will strengthen the integration of hotel resources, tourism Industry and resources industry and expand into new business formats to achieve diversification of our income source. At the same time, the Group will conduct optimisation in internal procedures and enhance management efficiency to regulate and plan for future development strategies with innovative thinking, so as to fully stimulate and enhance the potential and intrinsic values of corporate resources.

Our overall objective is to better utilise the Group’s resources in order to maximise every shareholder’s interest.

Business Review

Profit for the year attributable to owners of the Company for the year ended 31 December 2020 reduced from HK\$9.46 million in 2019 to HK\$2.03 million for the year under review. Profit reduce was mainly due to (i) the decrease of around 46.35% in revenue from hotel operations for the year ended 31 December 2020 as compared to the revenue from hotel of approximately HK\$34.84 million for the year ended 31 December 2019; (ii) loss arising on change in fair value of investment properties for the year 2020.

The turnover of the Group for the year ended 31 December 2020 amounted to approximately HK\$25.69 million, representing a decrease of approximately 38.85% from approximately HK\$42.01 million in the previous year. The decrease is mainly due to the reduce in business volume of star-rated hotel operation during the period under review.

Given our good balance sheet status, our cash generation ability and financial position continues to be strong. As at 31 December 2020, 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 0.6% (2019: 1.2%).

Operational Review

A. Star-rated hotel operation

Since 2018, the hotel has 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 2020, the turnover of the hotel operation was approximately HK\$18.69 million (2019: HK\$34.84 million), representing a decrease of approximately 46.35% from the corresponding period of last year. The decrease mentioned above is mainly attributable to the significant decrease in number of tourists in Mainland China brought by the outbreak of the COVID-19 pandemic in the financial year of 2020.

For the period under review, the average occupancy rate was approximately 42.09% (2019: 81.52%), representing a decrease of 48.4% over the corresponding period of last year. Average daily rate (ADR) was approximately RMB296 (2019: RMB315) representing a decrease of 6% over the corresponding period of last 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 2020, together with comparative figures as of 31 December 2019:

	31 December 2020		31 December 2019	
	HK\$ in thousand	% of revenue	HK\$ in thousand	% of revenue
Accommodation revenue	9,482	51%	21,152	61%
Catering revenue	6,897	37%	9,898	28%
Rental revenue	1,638	9%	2,770	8%
Others	676	3%	1,023	3%
	18,693	100%	34,843	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\$9.48 million, representing a decrease of approximately 55.17% over the corresponding period of 2019.

The rising cost of operating environment and hit by COVID-19 remain the key challenge for the hotel industry. To overcome these adversities, the hotel management broadens their business ideas, strives for the cultural and business clients, especially enhances their sales effort on acquiring conference and training related clients. Conference related customers account for 49% of the total. The group will continue to implement tight cost control measures and seek further improvement in operational efficiency to minimize the adverse impacts.

Catering revenue

Since 2015, the Group has made a major effort to develop the catering business through the hotel. During the period under review, catering revenue of approximately HK\$6.90 million representing approximately 36.89% of the hotel operation's turnover.

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 is taking measures to deal with the epidemic situation, practising skills, diversifying our operations and enhancing sales force regarding wedding banquet, catering and related services as well.

Operational Review (continued)

A. Star-rated hotel operation (continued)

Catering revenue (continued)

Looking forward, hospitality business is gradually resuming full operations as mainland has entered the phase of regular epidemic prevention and control.

Rental revenue

In order to stabilise the income of the hotel operation, the hotel leased out the spaces in the Group's hotel. This contributed to approximately HK\$1.64 million in rental revenue during the year under review, representing approximately 9% of the hotel operation's turnover.

B. Hong Kong properties held by the Group

As at 31 December 2020, all properties in Hong Kong held by the Group were 100% rented out.

During the period under review, the rental income of the properties in Hong Kong was approximately HK\$7 million, compared to last year representing a decrease of approximately 2.23%. The decrease is mainly due to relief provided to tenants on a case-by-case basis. The Group recorded approximately HK\$7.16 million in rental income of properties in Hong Kong for the corresponding period of last year.

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. The Group recorded a share of profit from its interest in Harmony Piano approximately HK\$0.6 million for the year under review (2019: loss of approximately HK\$80,000).

D. Finance leasing

For the year ended 31 December 2020, the interest in associate contributed approximately HK\$9.09 million profit for the year (2019: profit of approximately HK\$3.4 million).

Future Development

Looking forward into 2021, 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.

Future Development (continued)

The near-term economic performance is facing notable downward pressure from COVID-19. However, economic fundamentals of the Mainland are solid and it is expected to have adequate policy tools to maintain macro-economic stability. Once the epidemic is over, the economy of Mainland China will keep growing. The increase of disposable income per capita, the rise of urbanisation level and the accelerating pace of life remain 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 Fujian Tourism Development Group Company Limited ("FTDC") as "Top 20 advantage Tourism Group in China" and actively seek new breakthroughs in the field of tourism-related and other business areas. Furthermore, the Group will also accelerate the reform in the area of institutional mechanisms, promote the effective integration of the group resources by the combination of industry and capital, and integrate the industry chains of hotel, tourism and resource industries. Meanwhile, we will expand into new business formats to achieve diversification of our income source, so as to further increase our overall asset return and enterprise value.

Introduction of new investor by Fujian Huamin Leasing Company Limited

The Capital Increase

In order to meet the requirements of both the financial industry and the Group's operational development. The Board is pleased to announce that the Company received a resolution from Fujian Huamin Leasing Company Limited ("Fujian Huamin Leasing") on 18 December 2020 to increase its registered capital from RMB170,000,000 to RMB270,000,000. The Company decided to relinquish the pre-emption right for this capital injection which are calculated on a proportional basis under the Proposed Capital Injection as an original shareholder, and agree Fujian Huamin Industrial Group Company Limited ("FHIG") to contribute of RMB73,000,000 and Fujian Mingang Enterprises Co. Ltd. ("FMEC") to contribute of RMB27,000,000 instead. Upon completion of the capital increase, the interest of the Company in Fujian Huamin Leasing will be reduced to 25.19%. FHIG will own 64.81% and FMEC will own 10% of the interest in Fujian Huamin Leasing respectively.

In addition, share premium totalling RMB31,239,400 arising on the settlement of the Capital Increase will recognise in Capital Reserve in the period in which arise.

Information on FHIG and The Investor

FHIG

The issued share capital of FHIG is 100% beneficially owned by owned by FTDC, a state-owned corporation under the control and supervision of the State-owned Assets Supervision and Administration Commission of Fujian Province ("FJSOASAC") in the PRC.

Introduction of new investor by Fujian Huamin Leasing Company Limited

(continued)

Investor

FMEC

FMEC is a limited company established in the PRC. The issued share capital of FMEC is 100% beneficially owned by FIHC, which is in turn 100% beneficially owned by FHIG, which is in turn 100% beneficially owned by FTDC, a state-owned corporation under the control and supervision of FJSOASAC in the PRC.

The capital increase process is expected to be completed on or before 30 June 2021.

Financial Review

Capital Structure

As at 31 December 2020, 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 2020, the Group had a net cash balance of approximately HK\$55.70 million (2019: HK\$55.97 million). The Group's net asset value (assets less liabilities) was approximately HK\$422.91 million (2019: HK\$411.15 million), with a liquidity ratio (ratio of current assets to current liabilities) of 4.16 (2019: 4.10). 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 2020, the Group had not charged any of its assets. (2019: 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.

Financial Review (continued)

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 centralised 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 2020 (2019: Nil).

Capitalised Borrowing Costs

No borrowing cost was being capitalised during the year ended 31 December 2020 (2019: 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 Mainland China. 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, associate or joint venture of the Group.

Capital Expenditure and Commitment

During the year under review, the Group's capital expenditure was HK\$0.63 million (2019: HK\$0.2 million). There was no outstanding capital commitments as at 31 December 2020 and 2019.

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 2020.

Human Resources

As at 31 December 2020, 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 2020.

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 2020.

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 2020, 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\$233.80 million.

Particulars of investment property interests held by the Group at 31 December 2020 are as follows:

Investment properties	Leasehold expiry	Gross floor area <i>(square feet)</i>	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 2020 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 2020.

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 2020 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.

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.

RISK MANAGEMENT (CONTINUED)

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.

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 2020 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 2020. 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 2020 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, 30 March 2021

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.